

# FAR EASTERN ECONOMIC REVIEW

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## The Buyers' Market and International Payment Problems

The years immediately following the end of war and the current year may be described as a period of emergency repairs. The problem in the past was to restore as quickly as possible the pre-requisites of reconstruction, and for that purpose production had to be resumed at a satisfactory level in the largest possible number of countries. That appears now to have been achieved at least for the world as a whole. The level of world production today is above that of prewar years. To a large extent that important achievement has been obtained through the operations of the Marshall Plan. The generosity and boldness which are the characteristics of that momentous measure are particularly remarkable in that, at the time when it was enacted, a serious disequilibrium existed in the United States between supply and demand, as shown by the persistent rise in internal prices. Just as the addition of American goods to European production helped in checking inflation in Europe, the exports from the United States meant an increase in inflationary pressure in that country.

Today, the situation is different. But it is easy to imagine what the situation of a large part of the world would have been had it not received the basic supplies provided by the United States, and what that situation would become if the generous American aid were to be discontinued before the end of the critical period. The great efforts made by the countries devastated by the war must however be duly appreciated.

Production has however not been restored to the same levels in all countries, and while it has risen as high as 180 per cent of prewar in some parts of the world, it is still below 80 per cent in others. Such extraordinary diversity in economic recovery creates difficult problems of adjustment. Moreover, a different and new problem has arisen: While the economic recovery of the countries of the world is far from complete, there has been an important development in the international monetary problem. In certain countries, a sellers' market has been replaced by a buyers' market; in other words, effective demand has fallen below production capacity. It indicates

the end of the general scarcity of foodstuffs, of raw materials, and of productive resources as a whole. The supply of most goods has been restored in the relatively short period of three and a half years.

While gratifying, such a situation is also the cause of serious worries. From a national point of view, the emergence of a buyers' market entails the danger of unemployment and of serious economic, social, and political consequences. From an international point of view—just as a patient coming out of a severe illness will react most to a sudden shock in those parts of his body which have not fully recovered—the first effect of the buyers' market is to increase the disequilibrium in balances of payments, causing great difficulties to certain countries. It would be futile to hope that exchange stability and freedom of transactions would be durably restored without equilibrium in balances of payment.

What we must aim at is not the substitution of a buyers' market for a sellers' market or vice versa, but economic stabilisation at full employment excluding the excesses of either a buyers' or a sellers' market. It is advisable now to turn to a study of the means by which the conditions which have marked the 1930's may be avoided in the future, and to assess the measures which could help in stabilising demand in general and investment in particular. It is always in the expansion of production and of international trade that solutions to those problems must be found. We should always condemn the adoption of methods that lead to economic stagnation, to self-sufficiency, and to autarky, and which result merely in exporting the difficulties of one country to another—the first country not even succeeding in getting rid of them completely.

Whatever the momentary temptations—sometimes understandable among the sufferings of this world—progress cannot be achieved through a policy of national egotism and shortsightedness. Progress can result only from the expansion from increased opportunities both for nations and for men who have suffered so much and for so many years.

The question of how to earn more dollars remains unsolved for most countries in the postwar world although well-planned efforts have been made to bring into balance payments with the U.S. Action by the dollar-deficit

countries, however soundly conceived and vigorously executed, will not suffice to solve the dollar problem unless the United States takes complementary measures. For despite a rather remarkable shift in the attitude of the United States in recent years, some of its policies are still basically inconsistent with its position as the great creditor nation of the world. Modifications of these policies, like those that are necessary in Europe, may injure particular groups or interests in the U.S. but such modifications are essential both to restore the health of the world economy and to maintain America's own prosperity. United States tariffs provide the most important case in point. Their overall level has been greatly reduced since the early thirties, but at certain crucial points they remain a barrier to the import of foreign goods. Moreover, producers in other countries fear, with some justification, that if they should succeed in establishing a market for their goods in the United States, their efforts would be negated by new or higher protective tariffs. Even where the level of duties does not exclude foreign goods, they are frequently kept out by unduly complex customs procedures and regulations. In addition to tariff barriers, there are also a number of other types of restrictions designed to protect American companies against foreign competition, which are not consistent with the expressed policy and long-range interests of the United States. It does not make good sense for America to encourage the production of goods for the domestic market which could more economically be imported, and certainly all attempts to use the aid programmes of the U.S. as a vehicle for dumping surplus goods abroad should be strongly resisted.

The current commercial situation in the world is well explained by the switching over from a sellers' to a buyers' market, however, it is, in fact, more than that: it is the transition from an abnormal postwar market to a more normal (though not yet fully normal) peacetime market. It reflects itself in the increasing importance of price and demand factors. Although the process has been a gradual one, on one hand, and does not yet cover every field of production, on the other hand, it has certainly been a dominating feature of the recent past. Since the end of the war the essential concern of all countries, especially those direct-



ly disrupted or dislocated by war operations or foreign occupation, has been to produce. The restoration of production has now been largely completed and the primary problem is and will be more and more to sell. The traditional role of international trade is thus to be restored. It is essential for the promotion of trade that restrictions on the movement of goods and funds be eliminated. Exchange rates will have to be adjusted to their proper levels, a process which should not be delayed if all governments are seriously desirous of establishing a multilateral system of payments. When the entire world was in need of goods, many countries maintained foreign exchange values for their currencies which were then no great handicap to the sale of their exports but which now prove too high and have to be lowered as production is revived all over the world and the shortage of import goods has in large part been met.

The establishment of correct exchange rates and a multilateral system of payments is now the most urgent economic problem. The very fact that today the material difficulties of war reconstruction and of production have, generally speaking, been solved, throws a particular light upon the solution of this problem. What now remains to be done is perhaps harder than what has been done thus far. No nation can do it alone. Individual countries may bring to the solution of the remaining problems a considerable and even vital contribution, but a large international effort will be necessary to arrive at a real settlement. This is not the problem of one country or of one continent. It is a world problem.

As to the eventual outcome of the present trade and exchange problems disturbing the world, one may take a reasonably optimistic view.

When rationing stopped after the war, there was a shortage of many classes of goods. In some cases the shortage was so acute as to drive people to extraordinary lengths to obtain the goods they wanted. It is astonishing how quickly some of these acute shortages disappeared when there was a moderately increased flow to the market. To suggest that the dollar shortage can be compared with that of butter would be wishful thinking, but the world is somewhat in the grip of a "shortage" psychosis. If only—and it is no small "if"—we can start on the way toward equilibrium, we may find the effects of returning confidence highly cumulative and our difficulties dispelled more quickly than anybody dared hope.

### Prospects of Trade Union Movements in the Far East

The trade union movements of the Far East, like those of Europe and the U.S.A. have to make their choice between linking up with international trade unionism or with international communism. Recent developments in

the international field have brought this issue right to the forefront. The choice is given a dramatic turn by the fact that vital conferences will be held at roughly the same time in November. One is the constituent conference of the free trade union movements of the world, taking place in London, the other is the Asian regional conference of the W.F.T.U. in Peking. Many organisations in Asia have already made their choice. To Peking will go those which still call themselves trade unions but are under Communist domination and therefore instruments for Soviet and Cominform policy in the industrial and political field. The proceedings at Peking will be dominated immediately by the Chinese Communists who control the All China Federation of Labour, and less immediately but no less effectively by the Kremlin. The Conference will claim to speak for all Asian workers and probably all Australasian workers too, but it will in fact be representative only of Communist organisations.

To the London Conference will come representatives of organisations which are free or are determined to be free from any form of external domination and which are prepared to accept the simple but fundamental principles upon which genuine trade unionism is found. Not all of the organisations which will join the new trade union International at the London conference have yet achieved the position of the Western trade unions, and difference of conditions in Asia will always require some adaptation in applying basic principles. But they will have the fundamental objective of working for the industrial and social interests of their members and not of sacrificing these to the political objectives of any international or external body. The proceedings in London will not be dominated by any organisation, though Communist propaganda will continue to shout about the dictation of the dollar. There will be differences of opinion to be ironed out by a democratic discussion—there will not be the 'unity' demonstrated at Milan and indeed at every W.F.T.U. meeting since it became a Communist organisation: a unity of the robot which is imposed by the Communist leadership and demonstrates the true nature of the W.F.T.U. and its claim to speak for 70,000,000 workers. The London conference again, is not going to be primarily political, and the organisation which it will set up is not designed to be simply anti-Communist. It is intended to be an international trade union movement in the proper sense of the word, with its constituent parts functioning as trade unions and not as political parties, or the creatures in the industrial field of the political parties. This does not mean that trade unions can be separated from politics. That would be impossible in the East, and has never, in fact, been possible in the West. It does mean that the organisation will put first and foremost the promotion of the social and industrial interests of its members and not subordinate them to political advantage or the needs of political tactics.

There is another development which comes into the picture. Over a year ago some of the trade union movements of Asia began to move closer together as the threat of international communism increased. This movement, which came to be led by the Indian National Trade Union Congress and was encouraged by the American Federation of Labour, is anti-Communist by its very nature. It is taking shape in an organisation called the Asian Federation of Labour, which has not yet been formally constituted but is expected to emerge from a further conference to be held in Ceylon in January next. How representative the Federation will be it is difficult to forecast at this stage. Much will depend on the possibility of agreement being reached between the Indian National Trade Union Congress and the Hind Mazdoor Sabha (the Hindu Workers' Federation which is Socialist in character), since the latter fear that the Asia Federation of Labour would establish the dominance of the Indian Trade Union Congress throughout India. It is also difficult to say what relations would exist between the new International to be set up in London and the Asian Federation of Labour, but it would certainly be the case that membership of the one would not preclude membership of the other, and there need be no rivalry in the matter.

The position of Australia in all this will be important, but at the moment a question mark hangs over it. That Australia will leave the W.F.T.U.—possibly next month but in any event subsequently—there is not much doubt. But whether it will immediately join up with the new International, and whether it will take any immediate interest in any Asian federation of labour is uncertain. Powerful elements in the Australian movement still adhere to the W.F.T.U., and even though the Australians may get firmly on top of the Communists within their movement, they may still feel hesitant about joining another organisation. This hesitancy may be natural, but it is greatly to be hoped that the Australian movement will play its part and not stand aside from the important developments bound to take shape in Asia in the next few months.

It is hard to say precisely what kind of structure the W.F.T.U. mean to set up in Asia, and indeed, in other regions. But it is not all hard to say what the object of their organisation will be, and what the constituent unions will be called upon to do. At a recent W.F.T.U. conference in Marseilles the Australian representative called for the setting up of a regional organisation of seamen covering the Far East and the Pacific, so that major disputes in that area could be properly co-ordinated. We have recently had an example of what the statement can mean—it can mean that dockers in one part of the world can be brought out on strike when they have absolutely no grievance or no industrial dispute of their own, but simply to support a strike in another part of the world, of the merits of which they know nothing. Unions that link up with the W.F.T.U. organisa-



## Review of Hongkong's Trade

### TRADE IN SEPTEMBER AND FOR THE FIRST THREE QUARTERS OF 1949

Hongkong's trade with individual countries makes an excellent showing during September; compared with August: imports of \$229,281,666 and exports \$195,191,861 the September figures are up by 16.46% and 15.19% respectively imports being \$267,026,963 and exports \$224,847,623; and compared with September of last year (\$130,-150,021 & \$148,290,829) they show an increase of 105.17% for imports and 51.62% for exports respectively. In Hongkong's total trade which amounted to \$491,874,586 for September the increase is 15.8% compared with August (\$424,473,527) and 76.6% as against September last year (\$278,440,-850). On the nine months \$3,514,861,-431 the increase is 38.12% against last year (\$2,537,676,551).

Taking the individual countries engaged in trading with Hongkong, the most noticeable point is the great growth of trade with China as a whole which amounted to \$123,867,206 for September as against \$59,719,579 for the same month last year or an increase of 107.4% and for the nine months Jan./Sept. to \$759,533,668 or a rise of 64.5% compared with the same period last year \$461,703,715. The proportion of the Colony's trade taken by China during September was 25.2% as against 21.59% for September 1948, and for the nine months was 21.59% compared with last year's 18.21%. If the trade of Macao (\$39,928,711) is included with that of China the total of \$163,795,917 brings China's proportion of trade up to 33.35% for September and to 28.27% for the nine months \$994,442,320.

Trade with North China in September \$46,798,076 rose by 15.94% over September 1948 \$18,057,931; imports \$16.59 million showed an increase of 348.8% against the previous September \$3.69 m. but a fall against the August figures of \$24.85 m. Exports \$30.2 m. showed an increase of 110.3% against 1948 \$14.3 m. and also a rise against August \$22.75 m. For the nine months of the year which amounted to \$280,-892,676 the increase was 108.1% against Jan./Sept. 1948 \$134,964,554; imports \$140.08 million increased 96.4% over last year's figure of \$71.3 m. and exports \$140.8 m. by 121.2% over \$63.64 m.

tion in the Far East will be used in this way. Their members will be brought out on strike by decisions taken elsewhere and for political motives which only Communists share. It was because of this determination to use the W.F.T.U. simply as a Communist political instrument and not as a trade union body that the leaders of all the free and democratic trade unions had to leave the W.F.T.U.—an organisation which in 1945 they had played a great part in forming.

Central China's trade with Hongkong did not make such a good showing as that of North China in consequence of the difficulties in transportation to the coast, as with the blockade of Shanghai practically all trade had to go by way of Tientsin or by rail, road and air south to Hongkong. Even with these difficulties, however, an increase is shown, total trade which amounted to \$26,592,187 for September being 226.7% above that for September last year \$8,140,482 and an advance over the August figure of \$20,684,233. Imports for September \$8.4 m. rose 294.5% over the 1948 figure of \$2 m. and exports \$18 m. rose 202.6% over \$6 m. Trade with Central China for the nine months Jan./Sept. \$113,480,636 showed an increase of 53.9% over the same period in 1948 \$73,695,650; imports \$36.8 m. rose by 26.39% over \$29 m. and exports \$76.6 m. by 72% over \$44.5 m.

South China trade with Hongkong also improved during September, the total trade of \$50,476,943 showing a 50.5% rise over September 1948 \$33,521,156 and also an increase against August \$30,311,798; imports \$25.8 m. rose 17.7% against 1948 \$21.9 m. and exports \$24.6 m. by 112.8% against \$11.57 m. For the nine months which amounted to \$365,159,896 the increase was 44.3% over last year's \$253,043,521; import \$263.89 m. increased 49.58% over \$176.4 m. and exports \$101.2 m. by 32.16% over \$76.6 m. for the nine months of last year.

Macao, which always has to be included with China in any consideration of trade figures, showed an increase of 123.9% in total trade \$39,928,711 against September 1948 \$17,826,955; imports showed a slight fall, amounting to \$4.85 m. against \$5.32 m. for 1948, but exports rose by 180.5% (\$35 m. against \$12.5 m.). On the nine months of this year total trade \$234,-908,652 increased by 56.6% against \$149,962,269; imports \$60.6 m. showed a slight increase over September 1948 \$60.1 m. and exports \$174.3 m. increased by 94% over \$89.8 m. Cargo which is shipped to Macao from Hongkong is largely transhipped there for despatch into China, and much of it is illicit trade.

The Macao Govt does not publish trade statistics. All demands made by the public have been ignored in the Portuguese colony. The trading position of Macao during the last few years has been particularly anomalous. There has been always rampant smuggling in and out of Kwangtung via Macao but the trade and exchange restrictions imposed by the Kuomintang government created the basis for the expansion of former modest rackets into enormous enterprises in which officials, merchants and transportation companies took part—and, of course, the pirates and brigands, abounding in this part of

South China, reaped their toll as well. Macao's cooperation with the former Nanking government in matters of trade (merchandise and bullion) was never seriously offered nor solicited; it was politely understood, in Macao and Nanking, to be just eyewash. While the official Chinese trade returns (Maritime Customs) hardly recorded any trade between China and Macao, the volume of trade which Macao did with Hongkong (which was practically all for account of China) rose to unprecedented amounts thus clearly showing the ever rising extent of smuggling between Macao and China. There is nothing wrong with smuggling; the Chinese who conducted this trade (in which Portuguese interests had some good share) were compelled to do so by sheer necessity, and the blame rests entirely with the commerce-repressive and otherwise utterly corrupt Kuomintang government. Many so-called controls in KMT China were conceived with an eye to creating ramps and rackets for officials and army commanders, while other controls and embargoes were drafted by economically ignorant nationalists.

Apart from Macao's increasingly important share in China's trade, caused by the easiness of illicit trading between the Portuguese colony and its Chinese hinterland, there has also been considerable diversion of Hongkong export cargo to Macao for re-export from there to the U.S. or other hard currency countries. It is significant that the river port of Macao is now repeatedly used as a port of call by ocean steamers which have to anchor far outside Macao's harbour; cargo destined for the U.S. is waiting in Macao for loading aboard ocean steamers but most of this cargo has not come down to Macao from China but has arrived in the Portuguese colony from Hongkong where it had been previously imported from various countries. Owing to several and not altogether justifiable trade and exchange controls exercised in Hongkong, many merchants have found it expedient to utilise Macao for re-exporting their goods.

There is also, apart from heavy recorded trade between here and Macao, a considerable volume of illicit trade going on between these two colonies. Cargo of Chinese origin is most prominent in this trade but, apart from some sterling area goods which are diverted to Macao, there has recently been a significant widening of Macao's commercial outlook due to the Hongkong Govt's suspension of trade with Japan. The longer this unwarrantable suspension continues the larger should be the volume of trade moving between Japan and Macao.

Next in importance to China comes the British Empire which in September traded with the Colony to the extent of 27% as compared with 24.8% for 1948 (\$132,723,550 against \$68,985,164 for 1948); imports amounted to \$82.8 m. as against \$29.3 m. for September 1948 and exports to \$49.87 m. For the Jan./Sept. period trade totalled \$923,-118,329 compared with last year's total of \$666,238,034; imports were \$506.65 m. and exports \$416.46 m. or increases of



34.3% and 44.1% over 1948 \$377.2 m. and \$289 m.

Of the above amounts, the United Kingdom was responsible for a total of \$44,748,627 for September (\$23,114,067 in Sept. 1948) and for \$375,739,520 for the nine months Jan./Sept. \$236,645,446 in 1948); imports came to \$33.6 m. in September an increase of 118% above 1948 \$15.4 m. and exports totalled \$11 m. or a rise of 44.6% above \$7.7 m. for Sept. 1948; imports for the Jan./Sept. period came to \$268.4 m. against the 1948 figure of \$182 m. and exports \$107.29 m. against 1948 Jan./Sept. \$54.63 m.

Malaya came next to the United Kingdom in trade with Hongkong the total figures amounting to \$44,302,727 against \$20,870,139 for Sept. and \$245,306,769 against \$205,102,040 for the nine months or increases of 112% and 19.6% respectively; imports came to \$17.99 m. in September and exports to \$26.3 m., against the respective figures for 1948 of \$3.2 m. and \$17.6 m.; imports for Jan./Sept. totalled \$84 m. and exports \$181 m. against those for 1948 of \$64.2 m. and \$140.8 m. respectively.

The USA is the most important of the individual countries trading with Hongkong, taking \$74,318,243 or 15.10% of the Colony's trade in September as against \$35,511,120 or 12.59% in September 1948; for the nine months the proportion was \$556,228,359 or 15.8% as against the previous figure of \$397,379,648 or 15.65% in 1948, the increase in total trade being 106% in September and 39.9% over the nine months. Imports from the US amounted to \$51.28 m. in September and to \$402.95 m. for Jan./Sept. or increases respectively of 101.36% and 41.14% over 1948 \$25.46 m. and \$285.49 m.; exports totalled \$23 m. for September and \$153.27 m. for Jan./Sept. or 129.36% and 37% above 1948 \$10 m. and \$111.87 m.

Korea, North & South, handled 4.49% of Hongkong's trade in September \$22,520,613 and 4.61% in Jan./Sept. \$162,030,352. Of these totals South Korea took \$11.56 m. in September and \$82.6 m. for the nine months against \$13.46 m. and \$82.65 m. for 1948; imports amounted to \$3.8 m. and \$27.7 m. (9 months) against \$5.89 m. and \$20.4 m., and exports to \$7.75 m. and \$54.9 m. compared with \$7.56 m. and \$30 m. for 1948. North Korean trade amounted to \$10.9 m. for September and \$79.3 m. for the nine months, nothing being recorded for last year.

India showed a fall in trade for September, the total being \$11,854,543 as against \$12,149,383 for September 1948, but on the nine months an increase was shown the figures being \$70,372,634 against \$47,777,304. Imports during September amounted to \$8.6 m. compared with \$7.58 m. and exports to \$3.2 m. as against \$4.56 for 1948; imports for the nine months were \$38.8 m. against \$29.7 m. and exports \$31.5 m. (\$18 m.).

Automobile tax for the winter is based on the weight of a car and ranges from PB\$260,000 (equal to about US\$63 at prevailing rates of exchange) for a small British model to PB\$320,000 (equal to US\$76) for a US sedan. The gasoline ration remains at 25 gallons per month.

It is generally assumed that the capture of Canton will end the economic effects of the Nationalist blockade.

Banking and Finance.—On October 17, the Bank of China suddenly called in all loans advanced to industrial and commercial firms. This is believed to have been taken in an attempt to avoid glutting the money market when the Bank of China releases "recapitalization" funds to banks on October 20. As a result, the money market tightened with the curb interest rate rising from .8 percent on October 13 to 1.6 percent on October 19. The People's Bank is making loans to banks that are unable to meet Shanghai clearing house obligations because of the tight money situation.

Recapitalization of Ningpo (Chekiang Province) banks has been completed. Of the 31 banks, 17 have been recapitalized of which 4 were branches of Shanghai banks. Total recapitalization of these banks is PB\$425 million (equivalent to a little over US\$100,000 at prevailing exchange rates).

While the official US dollar exchange rate remained unchanged at PB\$4,200 for currency notes and PB\$4,500 for

Trade with Pakistan amounted to \$8.2 m. in September, a fall against the August figures of \$9.5 m. (no figures are recorded for 1948); imports totalled \$7.59 m. and exports \$639,695 against August \$8.18 m. and \$1.3 m. respectively.

Japan's trade with Hongkong for September totalled \$11,957,540 compared with \$7,499,188 in 1948 and on the Jan./Sept. period was \$123,542,493 against \$90,049,260; imports amounted to \$6 m. in September (\$3.77 m. in 1948) and \$70 m. for Jan./Sept. (\$56.6 m.), exports came to \$5.9 m. for September and \$33.4 m. for Jan./Sept. against \$3.7 m. and \$33.4 m.

The main countries showing a fall in trade with Hongkong were: Siam \$16,719,388 against \$19,053,490 for September and \$178,562,551 against \$189,025,047 for Jan./Sept., the fall being in exports from Hongkong which dropped from \$15.6 m. in September 1948 to \$7.4 m. and from \$106.9 m. for Jan./Sept. 1948 to \$99.7 m.; the Philippines which amounted to \$8,951,395 in September compared with \$10,866,878 for September 1948 and to \$86,553,367 for Jan./Sept. as against \$109,330,092, the fall in this case also being in exports which in September came to \$7.8 m. as against \$10.3 m. and for the nine months came to \$73.88 m. compared with \$102.87 m.; and Indonesia (N.E.I.) which fell to \$7,470,784 for September as against \$8,507,065 and to \$67,585,133 compared with \$78,276,147 for the Jan./Sept. period.

drafts, both the sterling and Hongkong dollar rates were decreased. On October 19, pound sterling notes exchanged for PB\$8,050 (down 350 from October 12) while the telegraph transfer rate remained at PB\$11,250. Hongkong dollar notes on October 19 exchanged for PB\$575 (down 25 from October 12) while the draft rate dropped to PB\$620 (down 25 from October 12). (Cross-rates:—US\$2.50 per £; HK\$7.258 per US\$; HK\$18.145 per £).

On October 17 curb exchange rates were announced as follows: US dollar, PB\$4,500 (up 300 over October 11); gold per ounce, PB\$173,000 (same as last week); and "Big head" silver dollar, PB\$1,900 (same as October 11). (Gold crossrate US\$38.445 per oz troy).

Foreign Trade.—Following are the statistics of inward and outward cargo of the "SS Flying Trader" which arrived in Shanghai October 3 and sailed October 15:—Inward cargo:—From New York: Cigarette paper, 180 cases; machinery and parts, 82 cases. From Karachi: Cotton 100 bales; goatskins, 19 bales. From Colombo: Rubber sheets, 4,206 bales. From Singapore: Rubber sheets, 5,000 bales. From Hongkong: Dyes, 641 drums, 257 cases; chemicals, 826 drums, 145 cases; caustic soda, 1,296 drums; coconut oil, 345 drums; pharmaceuticals, 11 drums, 180 cases and boxes; aniline oil, 48 drums; cotton, 84 bales; medicines, 97 cases; zinc, 770 ingots; lead, 104 ingots; newsprint paper, 1,288 rolls, 417 bales; raw jute, 140 bales; diesel oil, 6,517 drums; mangrove bark, 210 bales; rubber sheets, 1,298 bales; window glass, 535 cases; and miscellaneous, 624 packages.

Outward cargo:—For Tientsin: Cigarettes, 270 cases; sulphuric acid, 100 drums; sole leather, 516 bales; for waste, 232 bales; and, miscellaneous, 476 packages. For Vladivostok: Bristles, 1,024 cases; green tea, 1,585 cases; wood oil, 5,599 drums; raw silk, 845 bales; and miscellaneous, 7 cases. For Yokohama: Silk pongees, 13 bales; and, personal effects, 5 packages. For Los Angeles: Preserved eggs, 100 cases; and, miscellaneous, 112 cases. For New York: Cotton waste, 800 bales; bristles, 370 cases; sheep wool, 198 bales; cotton and embroidered goods, 273 cases; menthol crystals, 50 cases; casings, 28 casks; feathers, 37 bales; rugs, 32 bales; goatskins, 19 bales; silk pongees, 9 bales; and, miscellaneous, 100 packages.

About 20,000 bales of cotton and 10,000 tons of chemical raw materials now stored in Hongkong will be imported through Canton. Also, exports from the South Seas and southeast Asia are expected to be entered via Canton and Hongkong.

The General Foreign Trade Company, a subsidiary of the government-owned East China Foreign Trade Company, is selling stocks of crude rubber imported from Malaya and Ceylon in blockade runners. Another subsidiary company is distributing caustic soda recently imported.



## COMMERCIAL MARKETS

### ABOLITION OF PRICE FREEZING IN HONGKONG

Following sterling devaluation the local Dept. of Supplies & Distribution rushed into 'freezing' of wholesale and retail prices as prevailed on Sept. 17. In our issue of Sept. 29, p. 396, scepticism about this price freezing by Government was expressed. On Oct. 19, the same Department revoked the one-month old 'Price Control (General) Order 1949' which should have had the effect of maintaining prices on the pre-devaluation level.

In Hongkong, it must have been obvious to our Government economists, special and peculiar conditions prevail and official intervention is bound either to stifle trade or to be ignored by the public. The intention of the 'price-freeze' order was, no doubt very benevolent having had regard, as Government always is supposed to have, for the prosperity of the community, however, it was a most impracticable measure which caused some agitation among merchants who quickly, with the customary aid and advice of the locally abounding number of solicitors, circulated petitions and otherwise were not slow in airing their grievances. No effort was made, anyway, by Govern-

ment to implement its 'price-freeze,' it being realised, almost as quickly as the order was gazetted, that its enforcement was impossible.

If as a result of the devaluation of sterling certain prices of imported goods are now rising in the local markets no decree from on high will prevent the public from being compelled to foot the bill. The importers and dealers cannot be expected to absorb the rise in prices, their profit margins, while still higher than anywhere in Europe or the US, are not elastic and recently show a painful tendency to contract. An official 'price-freeze' is of course a most attractive cure-all—if it would work; all possible labour unrest might thus be obviated and salaries and wages could be maintained at the present levels. Unfortunately, the rise in the cost of living, which is at any rate progressing on account of disturbed conditions in Kwangtung, will be felt as the effects of £ devaluation become more tangible.

It is not the price rise in goods of American origin which tends to elevate local prices—the local population having lived in an open exchange market paradise ever since the end of world war II did always calculate business

with the US in terms of the free exchange rate—but the prices of commodities quoted in sterling area countries and elsewhere in Europe which now show a considerable advance over pre-Sept. 17 levels. There was some shock felt by traders and consumers when the sudden devaluation of sterling to US\$ 2.80 was announced in London but meanwhile the general public became resigned to the inevitable and what resentment one expressed some time ago has by now evaporated. The local Government's 'price-freeze' has also gone the way of all red-tape and whether wholesale and retail prices are hiked or lowered is of no official interest. Even civil servants cannot change the course of events ordained by economic laws. If cost of living further advances the community must reasonably expect demands all over the place, for higher earnings. The hope, however, remains that the present mild price slump in the US will stimulate similar movements in other industrial countries and that consequently the anticipated further rise in local prices may not eventuate.

Retail price control here remains to be observed and the number of prosecutions and convictions in Police and Justices of the Peace Courts is impressive. It seems that the majority of offenders are however such persons who failed to affix price tags to their wares. One should have supposed that with the local overstocking and the growing buyers' resistance retail prices would have found a sufficiently low level to dispense with price control. This control is exercised with regard to a large amount of essential commodities but a considerable number of quite unessential items have, it would appear gratuitously, also been included. Very often retail prices as fixed by the Price Controller are no longer realistic in a falling market and it did and does happen that shopkeepers ask for certain price-controlled goods prices way below the official limit.

The control has in every instance been anxious to avoid any hardship for retailers when fixing prices which fact has led to many shops, of the more enterprising and low-profit-margin type, habitually undercutting controlled prices. On the other hand, there are many retailers who overcharge, and when they are caught, by the many alert lady inspectors making assiduously their rounds from one district to the other, heavy fines are imposed which are the delight of the consumer.

While credit is due for the efforts, and even more so for the good will, of the price controlling authority, the actual force which exercises control is the old twin 'supply-and-demand.' With all-round popular demand being well satisfied and a point of saturation reached in most consumer goods, further buyers' resistance should develop and cause the reduction both in retail prices and shopkeepers' profit margins. Long live the buyers' market.

**Transportation.**—Freight charges between Shanghai and Hankow were reduced up to 50 percent on 20 items in an effort to encourage inter-area trade. Service on the Pinghsiang-Chuchow section of the Kiangsi-Chekiang railway was resumed on October 10.

**Telecommunication.**—Telegraph service between Canton and Shanghai has been restored.

**Commodities.**—The People's Bank of China advanced PB\$2 billion (equivalent to approximately US\$475,000 at current official exchange rates) to Shanghai industries against future deliveries with most advances being extended to textile factories. In order to channel these products to retailers, the Shanghai Commodity Company is to begin operations on October 20.

A general rise in commodity prices was recorded in mid-October with authorities dumping large amounts of rice, flour, etc. in efforts to halt the rise. As in July and August, speculators were holding back in anticipation of further increases.

#### Exchange Rates and Commodity Prices in Shanghai:—

Official rate per US\$ (note), per 'parity deposit unit' and for several essential commodities in Shanghai for the period Sept. 21 to Oct. 12. Prices in People's Bank dollar (yuan).

	Sept. 21	Sept. 28	Oct. 5	Oct. 12
US\$ note . . . . .	3400	3700	3900	4200
Parity Deposit Unit . . . . .	752	737	749	762
Cotton yarn, 20 counts ('000 omitted) . . . . .	695.5	730	705	830
Cotton cloth, 12 lbs ('000 omitted) . . . . .	32.4	33.8	33.7	36
Rice, first grade ('000 omitted) . . . . .	39.5	38	34	37
Peanut oil ('000 omitted) . . . . .	60	70	77	78.5
Coal briquettes . . . . .	5500	5500	5500	5500

**Rice:** Despite heavy arrivals of rice, amounting to over 56,000 piculs (about 3,100 tons) in 2 days, the price of rice soared to PB\$42,000 a picul by October 14, an increase of 6,000 over October 10. Dumping was halted, however, as the price dropped back to 38,000 a picul on October 19.

**Cotton cloth:** The price of cotton cloth rose from PB\$35,700, per 40 yard bolt on October 10 to 40,000 on October 17. Authorities tried to head off further rises by dumping 15,000 bolts on the latter date.

**Four:** Retail flour shops were being limited to 150 bags of flour per day in the face of existing shortages and rising prices in wheat producing areas. Flour prices advanced from PB\$8,000 per 49 pound bag on October 10 to 10,300 on October 18.

This flare-up in prices, the third since the communist takeover, destroyed the previous favourable ratio established between the US dollar exchange rate and the parity deposit unit. The latter, after rising to a high of 837 on October 15, had receded to 805 by October 18, a net increase of 43 over October 12.



## LEADERSHIP IN DEPT. S & D

Government has recently appointed a new director of the Department of Supplies & Distribution (formerly known as Supplies Trade & Industry) in the person of Mr. K. M. A. Barnett (who previously was here assistant colonial secretary and assistant financial secretary) thus ending a period of uncertainty about the immediate future of this Department.

When the Dept. was established, after the liberation of the Colony, for the purpose of organising emergency supplies for local distribution and aiding in the re-establishment of local industry, Mr. W. M. Thomson, a very ebullient and astute official, was appointed as director. The nature of the Dept. was always understood to be of an emergency kind and its operations were expected to be wound up after more normal conditions in the postwar world had set in. These hopes, however, were not fulfilled although an easy supply position rules everywhere and few, if any, functions of the Dept. appear necessary, in the interest of the community, at the present moment. With the international decontrol of rice supplies by the IEFC as from the end of this year there would seem to be a welcome chance to consider in Hongkong the liquidation of the Dept. and the taking over of such functions as may still prove useful to perform by the Dept. of Commerce & Industry. When the Dept. of C & I was set up here last summer, succeeding the former Imports & Exports Dept., it was generally believed that the days of the Dept. of S & D were numbered; in fact, the reorganisation of C & I was drafted, by the former director of that department, with a view, *inter alia*, of uniting the functions of C & I with those still apparently essential S & D duties.

Many officials in S & D professed and keep on professing their eagerness to liquidate the Dept. In this desire they find much sympathy and encouragement among the local business community. Although the Dept.'s operations in the past have been instrumental in aiding in the rehabilitation of Hongkong after the war, there is now, in a buyers' market, little justification for its continuance. Government, through the activities of this Dept., has been often criticised as being too anxious to compete with private business in making profits, and intimations of graft were also frequently heard; also favouritism, such as seemingly revealed in the treatment of certain individuals and private firms who obtained from the Dept. monopoly-like contracts for distribution of commodities, has been charged.

The recent mishandling of the Hongkong-Japan trade affairs which led to the suspension of trade with Japan—now in force since six weeks—has aroused the ire of not only those business men engaged in Japan trade but of the whole community as it is realised that this trade suspension hits the interests of wider circles than those connected directly with Japanese imports and exports. An official investigation has been recently conducted

as regards the handling of certain alleged irregularities in the Japanese trade section of the Dept. and the matter is now in the hands of the legal authorities and can, for the time being, not be commented upon; the official in charge of the Japanese trade section has however, after interrogations, not been allowed to return to his former job.

In 1947, Mr. Thomson went on leave with his assistant, Mr. J. J. Cowperthwaite, assuming the leadership of the Dept. as acting director. There were rumours then that Mr. Thomson would, for a variety of reasons, not return and later it proved to be a fact when he was appointed to a new job in the Government of Nigeria. Mr. Cowperthwaite was most ably conducting the increasingly controversial affairs of the Dept. When he left earlier this year on a well-earned holiday, Mr. D.C. Barty was taking over his post, and it was his misfortune that in this interim period the devaluation of sterling had to happen which exposed the inefficiency of the Dept.'s handling of Hongkong-Japan trade affairs. Now Mr. Barnett is at the helm of the Dept. with Mr. Barty as his assistant director. Previously, and quite unnoticed by the public at large, Mr. Thomson, who had returned to Hongkong to take up a new job in the colonial secretary's office here—of whose importance or otherwise little if anything transpired—, was helping in the rearrangement of deranged trading activities of the Dept. A short while ago he left however for Australia but is expected back shortly. This week has returned Mr. Cowperthwaite, recalled from his vacation, and he seems to be still acting director of the Dept. although there is now a full director.

The assembly of so much administrative talent in the Dept. is obviously a luxury particularly as the Dept. is not largely—at least at the present moment—absorbed in constructive work. The hierarchy of leadership in the Dept. would require some elucidation which is necessary in order to apportion blame or praise.

## HONGKONG-JAPAN TRADE SUSPENSION

Trade with Japan was suspended by the Dept. of Supplies & Distribution with effect from Sept. 26. The situation is today still unchanged.

## HONGKONG'S COTTON YARN POSITION

The import of cotton yarn from India if used for local consumption of weaving and knitting mills remains embargoed and the situation as outlined in our issues of September 29 and October 20 is unchanged. Indian yarn is however freely import licensed if destined for eventual re-export.

The reason for this embargo has not been officially stated; protests by the weavers and knitters have been made but Government has not yet answered. The supposition is that Government, having some 12,000 bales of Italian, Japanese and Shanghai yarn stored up, previously bought at a higher price

than could now be realised, has prevented weaving and knitting mills from buying cheaper Indian yarn by imposing the embargo, thus expecting to clear all or part of its stock at not too low a price (the difference between Indian yarn, offered at around \$980 per bale of 20's, and Government stocks, offered at around \$1250 to \$1350 per bale of 20's, is about \$300).

It is however not the intention of Government (i.e. the Department of Supplies & Distribution) to force the local textile mills to purchase Government imported yarn at so high a price; in fact, Government appears to be quite unconcerned about the disposal of this big stock which corresponds to a value of \$15 million. No merchant would act like our Department of S & D is doing; since this Department has been in the business for some time and has with skill and luck earned a lot of money (for the community, to be sure) the public would expect a more businesslike attitude in the current cotton yarn deadlock. This yarn must be sold, at a loss, of course, which however could be well absorbed seeing that the Department of S & D have piled up profits from trading in previous years. The price movement of most commodities in world markets is distinctly downward and cotton yarn shows a declining trend as well owing to lower raw cotton prices. There is no sense in waiting here for a return of higher prices; S & D will have, sooner or later, to bite in the sour apple and liquidate its huge yarn stock and thus defrost a large amount which could then be put to good use in other transactions.

The real motive for the Indian yarn embargo is Government's intention to protect our budding cotton spinning mills. These mills turn out in the aggregate more yarn than the local weavers and knitters can consume and it is these mills who have requested Government that their local sales be safeguarded by shutting out the extremely low priced Indian yarn. This has been done by the embargo. The local spinners cannot sell below \$1100 per bale of 20's but this price is still far above the Indian price. Currently local spinning mills supply weavers and knitters at about \$1150 per bale but they are prepared to cut the price by a small amount in order to make operations of the local textile mills more profitable. Weavers and knitters claim that they cannot keep on working under present high yarn price conditions and they demand that Indian yarn be readmitted. This will probably be refused when it comes to reconsideration of the embargo.

Thus the interest of the spinning mills are to be preferentially treated but this policy can be defended; there is huge capital invested in these modern mills which are a credit to the Colony in every respect. Some sort of industrial protectionism is being practised in favour of the spinners at the moderate expense of the knitters and weavers.

Indian interests are not at all annoyed by this embargo on their yarn if to be utilised by local textile mills;



very large orders of Hongkong merchants for Indian yarn for re-export from the Colony continue to be placed and Indian cotton mills have every reason to be satisfied with this development. Over 60,000 bales of yarn (of various counts, mostly 20's) have only recently been contracted by local traders who will have, to comply with Government regulations, to re-export their goods from the Colony. It is however quite possible that a certain quantity will eventually seep through to some local weaving and knitting mills.

Indian yarn is outselling any other yarn and industrialists wonder how Indian mills can operate considering that raw cotton prices have not dropped of late; it appears there are large accumulations of cotton in India and that there is great pressure to get rid of old stocks. Mill owners are therefore prepared to sell at cost. There are also suggestions that the low Indian yarn sales constitute dumping.

Hongkong cotton spinners are concerned about this situation but they are satisfied that the local offtake of yarn is adequate to maintain them. There is also a good demand for local yarn in several overseas markets. The mainstay of spinning mills' business is however the local textile industry and it is therefore essential that Indian competition should not be allowed to cut the foundation under Hongkong's recently established cotton spinning industry. Admittedly, the Indian yarn embargo is a controversial step but it may eventually prove to have been taken in the best interests of the community. Industrial promoters may also find in the present attitude of Government some new encouragement for establishing factories in Hongkong.

#### Indian Cotton Yarn

The Indian Government is restricting the export of Indian cotton yarn as from November 1 although traders who had obtained permits prior to the announcement of the coming restriction will be allowed to carry out their contracts. The restriction does not however apply to cotton yarn of 12 counts or

under. Forward shipments of this commodity are heavy and some 4,000 bales of 20 counts have already arrived with 10,000 en route but local buyers showed little interest although the price was lower than the local rate or the Shanghai product by as much as \$200 per bale. With this price however buyers from Manila, Thailand and Indonesia bought some 2,000 bales and Taiwan buyers also came into the market for small amounts. Business transacted amounted to between \$920 and \$980 per bale, while the indent price was quoted at \$920. On the other hand 10 counts due to spot shortage sold as high as \$850 per bale. Local yarn of 10 counts also showed a profit selling at \$980 to \$1,000 per bale. Some interest was displayed for Japanese yarn of 20 counts and as a result the price rose to \$1,190 per picul.

Pakistan cotton output is some 100,000 bales heavier than last year the total amounting to 1 million bales; of this about 10% will be retained for home consumption and the balance for export. One-third of this amount is being shipped to India and two-thirds are earmarked for export. It seems that the Pakistan Government is prepared to trade with China on the barter system.

#### EXPORTS OF PETROLEUM PRODUCTS TO CHINA

Since August 3, this year, the re-export of petroleum products to China is permitted only if an export licence has been applied for and granted. "Petroleum Products" includes, *inter alia*, Petrol and other Light Oils; Lubricating Greases; Lubricating Oils; Diesel Oils; Fuel Oils; Petroleumum; Petroleum Jelly; Paraffin Wax; Bitumen.

Previously exports of petroleum products to China were treated like exports to the sterling area, i.e. no restriction was imposed. The control has been found necessary because of the fact that most imports of gasoline, diesel oil, kerosene and other petroleum products had to be paid for in US\$ but re-exports to China were paid for in sterling. In order to stop this drain on the

sterling area's US\$ pool resources, arising from imports against US\$ and sales against sterling, the imposition of export control was finally promulgated.

There was some suggestion that the control was motivated by political considerations; as the majority of petroleum products were shipped in the recent past to North and Central China which are under the communist regime the supposition was not unnatural that, in the interest of safeguarding so-called strategical resources (or preventing the accumulation of essential fuels of potential use to an unfriendly government), the export of selected petroleum products was to be carefully screened before shipment was to be permitted. This supposition is however — as far as Hongkong is concerned — not based on any fact.

The sole reason for putting these re-exports under control is found in the foreign exchange position, i.e. the necessity for prevention of any 'leak' in the sterling area's US\$ pool through the 'loophole' of this Colony. There is no difficulty here for traders to obtain an export licence, no delay is involved, a form only is to be filled, and payment in hard currency is to be guaranteed. Certain items are however freed from the exchange surrender requirement if such are imported from the sterling area.

Exports to Macao, the traditional 'loophole' for practically all Hongkong trade and exchange controls, require the granting of a licence.

#### PROHIBITED EXPORTS

Rabbit skins and iron & steel scrap have been taken off the list of prohibited exports as from Oct. 24. The list of prohibited exports was published in our issue of Sept. 22, p. 370. Rabbit skins were long overdue to be deleted from the list of prohibited exports and it was only now that this step has been taken.

Iron & steel scrap were put on the list in order to comply with the request of the Imperial Government who desired to buy up all such scrap which came to Hongkong and was not used locally. The necessity in the UK to

### Far East — United States Trade

For July and August 1949, August 1948, and monthly average for 1948 and 1939.

(In Millions of US\$)

	Exports from U.S.					Imports into U.S.				
	August 1949	July 1949	August 1948	Monthly average 1948	1939	August 1949	July 1949	August 1948	Monthly average 1948	1939
Burma .....	.1	.1	.3	.4	.3	—	—	.1	.1	—
Siam (Thailand) .....	1.9	2.0	1.2	1.4	.4	3.5	3.5	6.5	4.4	—
French Indochina .....	1.9	1.8	.6	1.2	.7	1	1	.1	.3	.8
British Malaya .....	2.8	3.0	4.1	6.8	.8	17.1	10.8	20.4	22.4	12.4
Indonesia .....	8.0	8.4	5.4	7.7	3.0	8.9	8.9	10.9	7.2	7.7
Republic of the Philippines .....	29.0	36.3	33.4	39.0	8.3	20.6	21.9	23.5	19.0	7.7
Macao .....	.1	—	—	.1	—	—	—	—	—	.6
China .....	1.0	2.4	19.0	22.8	4.6	8.9	7.7	9.9	10.0	5.2
Manchuria .....	—	—	—	—	1.3	—	—	—	—	1
Korea (Chosen) .....	3.2	3.8	8.6	5.8	—	.1	.1	—	.3	—
Hongkong .....	9.9	9.3	5.3	7.0	1.5	.2	.6	.3	.3	.3
Taiwan (Formosa) .....	3.5	6.0	.4	.5	—	.1	—	—	.1	—
Japan .....	34.3	41.1	40.8	27.1	19.3	5.8	5.6	5.5	5.2	13.4



buy scrap has however recently been alleviated and London is no longer officially interested to make purchases here.

While the export prohibition was on, i.e. while exports were licensed only for shipment to the UK, all exports had to be effected here through the British firm of Yu Tung Tai Ltd. (a prominent director of which is Mr Walter Fletcher, Conservative M.P.). Many merchants objected to this form of semi-monopoly trading but the Dept. of Supplies & Distribution was unable to rectify matters as Yu Tung Tai Ltd. secured this privilege in London. Now iron & steel scrap can be freely exported by every firm and to every destination.

#### HONGKONG EXPORT PROCEEDS SURRENDER

Hongkong firms exporting the commodities specified below to the U.S.A. or to any other hard currency country are required to surrender (sell at the official exchange rate) part of their proceeds to Exchange Control, that is to say that exporters are allowed to retain only the following percentages of the f.o.b. value of their cargo:—

(1) in case of commodities being of Chinese and Korean origin: Woodoil 85%, Tin and Lead and Silver 75%, Copper 80%, Ginger (preserved) 50%.  
(2) in respect of commodities originating in any country: Pewter 75%, Brass 80%.

Pepper export proceeds have to be surrendered in full.

The Exchange Control requirement of the surrender percentage is reviewed from time to time. As the community requires, for payment of local essential consumer goods and raw material imports and a few services, certain amounts of hard currency and it is in the general interest to finance such imports and pay for such services at the official rate, Government here still has to insist on the surrender of proceeds from sales abroad of a few selected goods. At the present moment when official and free market rates are not differing much, the surrender requirement is not found objectionable by exporters. A widening of the exchange difference, which is however considered unlikely, may necessitate revision of the present ruling.

#### HONGKONG IMPORT CONTROL REGULATIONS

Under Open General Licence No. 1, all goods originating in the territories within the British Empire, including Mandated Territories (except Canada), Iraq, Iceland, Siam, Burma, French Indochina, Indonesia, the U.S.A. and the Philippine Republic may be imported into Hongkong without a Special Import Licence, with the exception of the following commodities:—

Butter, Cheese, Margarine, Flour, Rice & Rice Products, Sugar, Meat of all kinds, Tin, Tinplate, Coal, Coke, Cotton Yarn, Diamonds, Gold, Gunny Bags, Cotton Lining & Poplin, Linen Piece Goods, Lead, Cutlery, Whisky,

Beer, Manufactured Tobacco, Glass Plate & Sheet, Iron & Steel, Silver Rubber, Zinc.

All goods originating in China and Macao may similarly be imported into Hongkong under the provision of Open General Licence No. 1 with the exception of the following:—

Coal, Coke, Cotton Yarn, Sugar, Rubber, Silver, Diamonds.

Except as above Import Licences are required and must be covered by an Exchange Control permit duly approved unless payment is being made in US\$ from the importer's own resources.

#### MR. REES WILLIAMS AND HONGKONG'S AIRFIELD

It is reassuring to know that the visit to Hongkong of the Under-Secretary of State for the Colonies, Mr. Rees Williams, promises to result in the building of a bigger and a better airport for the Colony. While we agree with current opinion that the Home Government appears to know little about what the requirements of Hongkong really are, we feel we must go further and congratulate those responsible for the development and growth of Kai Tak which has made the building of a new airport imperative, for only by its past expansion can its future requirements be gauged. The future possibilities of air service to Hongkong have now been recognised, or at least Mr. Rees Williams has conceded that his erstwhile opinion has undergone a change. It might be interesting to the searcher for historical material to learn how many past memoranda on this subject have cumulated under the pigeon-holes of the offices of the Under-Secretary of State for the Colonies, but any such spring cleaning would only tend to dampen the present reassurance that at long last there seems to be a possibility of a better landing place than is at present afforded.

Air travel has now taken a premier place in world development, and only those administrations which are far sighted enough to grasp the full significance of what this must mean to any place—especially a port like Hongkong with its strategic position as an entrepot—can hope to compete in future world trade. Kai Tak stands second in the Commonwealth but with the tendency to produce bigger and faster aircraft its usefulness must inevitably suffer, and with it the Colony's prosperity. Already the larger type aircraft cannot land here and at the moment passengers and goods have to be transhipped or to coin a new word transplaned to smaller aircraft to complete the journey to Hongkong—an expensive and tedious hindrance to development.

As regards air travel in China itself, the future is very uncertain and the progress that was made in this connection has suffered a setback for an indefinite period. The lines most affected are naturally the CNAC and the CATC, which formerly linked up Hongkong with all the major cities of China, whereas services are now prac-

tically confined to Taiwan, Kunming and Chungking. The CNAC are however, developing new lines and are preparing for expansion in other directions; already regular flights are made between Hongkong and San Francisco as well as Calcutta and Rangoon, and it is also anticipated that a regular flight will be organised between Hongkong and Karachi. The CATC connects Hongkong and Bangkok and still maintains flights to Kunming four days a week.

One of the most luxurious and interesting flights possible from Hongkong is the recently inaugurated strato-cruiser service between Tokyo and San Francisco by the Pan American World Airways; this 300 mile per hour Boeing strato-cruiser will reduce the usual thirty-six hour schedule across the Pacific by seven hours. As these cruisers fly at an altitude of 25,000 ft., they are calculated to avoid any rough weather. The cruisers however are too large for Kai Tak airfield and connection with them has to be made by a smaller plane from Hongkong.

The Scandinavian Airlines System are also inaugurating a service which cannot operate direct from Hongkong because of the necessary accommodation at Kai Tak being unavailable but will operate from Bangkok, travellers changing there to a smaller plane for the Colony.

#### CHINA'S NEW REGIME

The majority of merchants in China basing their opinion on the pattern of events as outlined during the past few months, express confidence that the flow of essential raw materials abroad will not be halted indefinitely by the inauguration of the new regime. It is anticipated however, that an interval of "non-cooperation" may possibly ensue following the occupation of Canton and other southern cities of China during which period the Communists, probably under the established military control committee, must carefully scrutinise the reputation and political record of possible candidates as administrators before the final selection is made. There is also the general organisation of the new set-up along the lines now becoming familiar before the normal flow of business can be resumed. While this hiatus is to be regretted as delay is inevitably detrimental to the well-being of the country it is fully expected that trading facilities will eventually recommence along recognised channels.

When Tientsin and North China were "liberated" the same procedure was adopted and actually the time lag continued for over two months before merchandise was able to be moved in a normal way. The blockade, while acting as a brake, has clearly not been the only factor against normal resumption of trade but has allowed time for the new regime to be re-organised along the lines recognised as necessary to the new order. Traders are usually impatient, and naturally so, to keep



the wheels of commerce moving but this necessity is not always recognised as an asset and a certain amount of deliberation before granting permits, etc., may also have the advantage of avoiding mistakes by zealous and yet not too experienced administrators.

Once the organisation has been established with well tested personnel, trade will improve, as it has undoubtedly done in North China, where transactions with foreign firms are carried out through the medium of members of the Chinese staffs. This may well be the pattern so far as Canton-Hongkong trade is concerned, although certain differences may be allowed. Traders here as elsewhere will in all probability have to exercise patience until such time as the preliminary building up of the new regime is well founded.

#### NEW TRADE ROUTES

As will be noted in the commodity market reports in this issue, China's trade is continuing although in some instances not exactly along the lines to which traders are accustomed. For instance air is being largely used where overland routes are inexpedient, or as in some cases, impossible. Tungoil is arriving fairly regularly from Chungking by air as well as bristles; Kunming bristles are also being flown for at least part of the way, first to Haiphong and then by sea to Hongkong.

Canton merchants are also exercising ingenuity in transporting goods, but the difficulties in this direction tend to increase rather than diminish. Direct shipments to Hongkong came to a complete standstill as has been noted before, when the Nationalist destroyers forced the s.s. Kwai Wah to return. Since then motor-boat transport to small inland ports was attempted but this was irregular and at least very uncertain although some produce still filters through. Macao became the chief receiving centre for transshipment to Hongkong but for the moment a feeling of uncertainty is evident as regards imports into China and the tendency is growing for Canton merchants dealing in imported goods to hold their spot prices firm in anticipation of future shortages. As an example Australian flour is being offered on the Canton market for HK\$100 per picul as against \$42 in Hongkong. Whether this can or will be permitted to continue is doubtful when once the new administration is in full control. However, in spite of the difficulties of transportation both for incoming and outgoing commodities, the Hongkong market during the week showed a general improvement with Chinese buyers from the interior showing interest, all of which would seem to augur well for the future.

#### BRISTLES TRADE

The bristle trade during the month of October was fairly active, the major portion of the 4,000 cases that arrived were Chungking black while bristles from Tientsin were reduced in quantity. Chungking bristles arrived in

Hongkong by air and Kunming bristles by devious routes, air and sea, the latter costing about US 26 cents per kilo. Bristles from Chungking showed an increase in price to silver dollars 875 per picul which combined with freight charges and the surrender of exchange cost about HK\$200 per picul, meaning that little or no profit is obtainable from such transactions.

The price of Tientsin bristles for export was US\$6.30 per lb. which with freight and other charges would mean approximately US\$6.90 per lb. The local market showed no interest at this price but it is understood that shipments have been made direct to the US from Tientsin, and according to cable information from New York the price for Tientsin No. 55 short was US\$6.60 per lb. while Chungking black stood at US\$3, which is a rise of roughly 10% during the month. Comparative prices of these commodities with Hongkong indicate that the spot price for the Tientsin product above quoted was US\$6.50 per lb. and US\$2.90 for Chungking black; some 3,000 cases were transacted at these prices. As the Chungking bristles arrive in Hongkong by air the fall of Canton did not affect the price but the improvement was the result of firmer offering from overseas.

#### MINING IN THE PHILIPPINES

A prominent local investor, with interests in the Philippines, after having read in the last issue of this Review the article on "Present Position of Mining in the Philippines" contributed by Mr. Chas. A. Mitke, of Manila, states that he is in agreement with Mr. Mitke on almost all he has written, but cannot accept his suggestion that the Mining Companies should use their funds to finance prospectors or develop new prospects. It is a well-known fact that all the Mines of today were worked long before the advent of American occupation: Benguet—Balatoc by the Igorots; Mankayan Lepanto—by the Chinese and later the Spaniards. Surigao—by the Moros; Paracale—by the Spaniards; and Masbate—by the Chinese. These Districts are today crying for their rehabilitation.

It is hoped here that Washington will take note of the fact that certain Management Companies are illegally diverting War Damage collections into enterprises other than Mining, in clear violation of the Philippine Rehabilitation Act of 1946, without just cause and certainly no justification, because only eight Mines are in operation whilst pre-war there were 48 in production, and the mining industry remains the sole industry which requires most rehabilitation today.

It is believed here that Mr. Mitke had probably in mind the development of some Lead, Manganese, Copper, Iron or Chromite properties which probably might be brought into profitable operations with modern equipment and technique, but unfortunately there is no guarantee of the future price of these metals or of gold in the World markets.

#### PHILIPPINES

##### Ramie

Plans have been announced for the development of a ramie program in the Philippine Islands which will utilize modern farm machinery for the agricultural phases. The financing, said to be 8,000,000 pesos, is to be furnished by United States capital.

Modern equipment also will be used for the decortication and degumming of the fiber. Some mention also has been made of establishing a textile plant to produce ramie finished products.

##### Construction.

The construction program of the War Damage Commission in the Philippines began to show results with the completion of 61 projects during the 6-month period from January 1 to June 30, 1949 out of a total of 88 projects started. A considerable number of additional projects also are nearing completion.

Expenditures for public-building claims amounted to US\$7,250,841, and private claims paid totaled \$73,611,765, which, together with \$1,500,000 paid out for administration expenses, made a grand total of \$82,362,606. expended during the 6-month period.

##### Discontinuance of Export Control.

Executive Order 192 extending Philippine export controls beyond December 31, 1948, under the President's emergency powers, was declared null and void by the Philippine Supreme Court. The Court's decision that Executive Order 192 was not justified by the war emergency was rendered on August 26, 1949 and became executory September 26. As of that date export control administration was discontinued. Export licenses are required now only for the quota products specified in the Executive Agreement between the United States and the Republic of the Philippines signed July 4, 1946. Those products are sugar, cordage, rice, cigars, scrap tobacco and stemmed and unstemmed filled tobacco, coconut oil, and pearl or shell buttons.

While operative, the export licensing system enabled the Philippine Government to co-operate with United States regulations prohibiting imports of certain surplus property items into the United States, and to prevent the re-export of items under allocation to the Philippines by foreign countries. It is not clear whether supervision over such activities may now be maintained, but the former administrator of export control has advocated the substitution of a system of registration of certain categories of exports, with the object of keeping the Government informed of developments in case export control legislation might be revived when Congress convenes in January 1950.

The most important potential result of the lifting of controls will be the release of scrap metals for sale abroad. The possible marketing in Asia of stocks of machinery now held in the Philippines may also result, from de-



control of exports, as well as a stimulation of local production for export of hides and skins, certain food products, and possibly a few manufactures. Control of exports was initiated in 1946 primarily to conserve materials and equipment considered essential to rehabilitation and development of new industries in the Philippines. However, the economy has paid heavily in lower exports and re-exports, to the detriment of the country's balance of payments.

## JAPAN

### Pulp & Paper

Japanese production of wood pulp during the first 6 months of 1949 totaled 276,141 short tons, or 41 per cent more than the 195,531 tons produced during the corresponding period of 1948. Although production of all grades was greater, the principal increases were registered in ground woodpulp, production of which rose to 149,170 tons in the 6-month period of 1949, from 112,103 tons in the 6-month period of 1948 and in unbleached sulfite, which increased to 87,204 tons from 56,323 tons.

Production of other grades of pulp during the first 6 months of 1949, were as follows, in short tons (comparable figures for the first 6 months of 1948 in parentheses); Rayon A, 2,424 (1,227); Rayon B, 16,962 (14,962); Rayon C, 3,733 (953); unbleached sulfate, 13,412 (9,045); and others, 3,236 (918). The increase in pulp production was due to a slightly greater allocation of pulpwood in 1949 and to the greater availability of electricity and chemicals.

Paper production also increased in the first 6 months of 1949 over the first 6 months of 1948, total production in the two periods being 321,415 tons and 206,051 tons, respectively. All grades of paper were represented in the increase, the greatest gains being in printing paper (other than newspaper), to 73,189 tons from 39,179; paperboard, to 57,572 from 29,907; and Japanese machine-made paper, to 74,087 from 45,292 tons. Production of other grades of paper in the first 6 months of 1949 in short tons (data for the first 6 months of 1948 in parentheses) was as follows: Newsprint, 56,582 (53,327); wrapping and bag paper, 26,055 (17,370); writing and drawing, 4,986 (1,968); tissue, 3,475 (2,042); Japanese hand-made, 2,918 (2,452); and others, 22,551 (14,514).

### Barter Trade in Food

The Ministry of International Trade and Industry announced a barter trade system for all food imports into Japan from countries other than the United States. The new barter set-up will increase Japan's food imports above the level of food purchases made with United States appropriated funds for Government and Relief in Occupied Areas (GARIOA). Japan may barter rolling stock, machinery, and textiles for rice from Burma, Korea, Thailand, and Mexico.

### Japanese Export Procedures

Export contracts valued at US\$50,000 or less and payment for which is made by cash or letter of credit do not require the use of standard contract forms, except in the case of raw silk export contracts and those contracts in which the buyer becomes the shipper at the same time. The letter of credit under the simplified procedures must provide that all payments be made at sight to the order of the negotiating bank "for the account of SCAP Commercial Account" or "for the account of SCAP Cotton Textile Account" in the case of a contract for cotton textiles. Most of these contracts require only the approval of the Japanese Ministry of International Trade and Industry, although in certain cases SCAP validation is still required. If, however, the export transaction has a value of more than \$50,000, the terms of payment are other than by cash or through the prescribed letter of credit, the export of raw silk is involved, or the buyer is the shipper, then a formal sales contract must still be used.

The former application for license to export (Form IE 202) has been superseded by a new application for license to export (Form IE 234). In the case of contracts valued at \$50,000 or less (except those involving raw silk exports and those in which buyer and shipper are the same person) and under the terms of payment as described above, the seller need attach to the IE 234 any original document, such as telegrams exchanged between buyer and seller certifying that the buyer accepted the offer in accordance with conditions stipulated in IE 234. On all other contracts the seller must attach a formal sales contract as previously required.

## MALAYA

### Soap

Production of soap in Singapore and the Federation of Malaya in May totaled 37,420 hundredweight, or 13.4 per cent more than in April. The area's sales of locally manufactured soap were 21,144 cwt, a 3.9 per cent decline from the April figure. Stocks at the end of May, amounting to 24,484 cwt, were 3 per cent less than at the close of April.

May imports of washing soap amounted to 6,576 cwt. and toilet soap, 415,852 pounds, (3,713 hundredweight), and other types of soap, 64,239 pounds (574 cwt.) Compared with April, washing soap decreased 3.7 per cent, whereas toilet soap and other soaps increased 254.7 and 145.3 per cent, respectively.

Washing-soap exports in May amounted to 13,624 hundredweight; toilet soap, 9,957 pounds (89 cwt.); and othersoaps, 1,918 pounds (17 cwt.)—gains of 1.5, 109.9, and 9 per cent, respectively, over the April figures.

### Paper

Net imports of packing and wrapping paper into Malaya (after deducting re-exports amounting to about 7 per cent of gross imports) were 4,179 long tons in 1948, valued at over 3,000,000 Straits

dollars, compared with 2,292 tons valued at some 2,000,000 Straits dollars in 1947, and 2,976 tons valued at about 590,000 Straits dollars in 1939. The leading supplier in those 3 years was China. Sweden and Norway ranked second and third as import sources.

Direct imports of such commodities from the United States into British Malaya are insignificant, being precluded by currency restrictions at present; however, some items of United States origin are purchased from Hongkong for sterling or Straits dollars, under special provisions.

A small part of the packing and wrapping paper imported is made by hand into bags that compete well in price with imported bags; but are used only by the better-class merchants serving a predominantly European clientele. Most native shopkeepers use old newspapers for packaging. In view of current slackness in all lines of business, prospects for imports of wrapping paper and bags are not considered good.

### Tin Plate.

During the first quarter of 1949, tin-plate imports into Malaya and Singapore totaled 3,100 long tons, of which 2,100 tons originated in the United Kingdom and the remainder in the United States. This represents a large increase over the 1948 import rate when 4,400 tons were received from the United Kingdom, 3,100 tons from the United States, and a minor quantity from Australia.

Imports of tin plate from the United States will decline as a result of a recent action taken by Malaya and Singapore to reduce dollar expenditures. Tin plate was removed from the list of articles for which import permits from dollar areas will be approved. The situation is perhaps temporary but it will continue at least until further monetary discussions have taken place between the United States and Great Britain.

## KOREAN GRAPHITE

Production of graphite, South Korea's second most important mineral export, increased sharply during the first 5 months of the year, averaging 3,000 tons monthly compared with 1,241 tons monthly in 1948. The total output through May was 14,800 tons of amorphous graphite and 244 tons of grades A, B, and C crystalline graphite.

A number of mines, closed since the war, have recently been opened. Further increases in production may be achieved with improved management and machinery. Efforts are being made to increase the production of grade A crystalline graphite in which there is greater demand than for grade C, which now accounts for most of the crystalline output.

Graphite is exported chiefly to Japan, and it is anticipated that this market will absorb increasing quantities. Exports of graphite, principally amorphous, through May totaled 16,023 metric tons, of which Japan received 12,396 tons and Hongkong the remaining 3,627 tons.



### INDOCHINA PEPPER

The 1949 pepper harvest of Indochina (January-April) was disappointing. This is attributed to the unstable political situation in the important pepper-growing regions of Cambodia, Kompong Cham, Takeo, and Kampot. Production is steadily declining, dropping from 1,500 metric tons in 1947 to 1,200 tons in 1948 and 1,000 tons in 1949. The 1950 harvest is expected to be about 700 tons. Of these amounts, approximately 10 per cent is white pepper.

There are about 1,000,000 vines bearing, but little can be done to improve their condition, eradicate disease, and plant new vines as long as fighting continues in pepper-growing areas. However, one indication that some thought is being given to the rehabilitation of Indochinese pepper culture is seen in the enforcement since July 1, 1949, of a 1-percent pepper export tax. This tax is to provide funds for a pepper experimental station.

Practically all the 1949 pepper crop is destined for France and the French Union. Consumption within Indochina is low—about 30-40 tons yearly—the native population does not use it, and stocks are practically exhausted. During 1948, 1,694 metric tons of pepper were exported as compared with 1,402 tons in 1947 and 3,500 tons prewar. About 24 percent of these exports were white pepper. No official figures are available regarding 1949 pepper exports, the only information being that derived from bills of lading of ships leaving Saigon during the first half of 1949. These are:—337 metric tons of black pepper and 69 tons of white, exported during the above period.

### TAIWAN RUBBER GOODS

July production of rubber goods in Taiwan was 545 truck tires, 3,780 bicycle tires, and 177,699 pairs of rubber shoes. July figures indicate a slight increase in the output of tires and a rather marked gain in the output of rubber shoes, over the May figures. Rubber-shoe production in May was reported as 25,000 pairs.

### BURMESE OILFIELDS

The Government of Burma intends to operate the oilfields at Yenanyaung, from which three British Companies have withdrawn their staffs.

Burmese oil experts from Rangoon will direct operations in this area. It is believed that local oil needs can be supplied with the equipment and machinery presently available.

\* \* \*

### HONGKONG INDUSTRIAL CHEMICALS MARKET

During the last fortnight almost every item in the market experienced price advances. Demand from Shanghai continued brisk and as exports to that port are now less precarious than during recent months there is a heavy volume of chemicals leaving the Colony; godowns are getting some relief from congestion and dealers are placing more orders with importers.

The general tone is very favourable here. Expectations of more and better business are confidently entertained. Profits of traders are unusually large. There is a boom now on in the chemicals trade.

Anything exported these days from Hongkong to Shanghai earns high profits due to the discrepancy in local and Shanghai wholesale prices. The reasons for the high Shanghai prices are: (1) heavy industrial demand after a long period of depletion of stocks due to the KMT blockade, (2) the consuming season has set in and factories require supplies, (3) on account of the progress of currency inflation in Shanghai—at the beginning of September one US\$ fetched PB\$ 2400 but beginning of October the price advanced to PB\$ 4500—there is a tendency to hoard commodities and legitimate dealers are anxious to fill up inventories.

With the return of normal conditions in 'red' controlled Kwangtung and resumption, though delayed, of communications by sea and land between Hongkong and Canton, the flow of trade with South China—and via it with Central China—is just starting. Imports into China will, for some time, not only be bulky but also reward traders with outsize profits. Seen from the traders' angle the change-over in Canton was a most welcome event.

### Market reports:—

**Phenol.** Market from dull to active. A large lot sold at 75c per lb for the 448 lb drums English origin, and then 80c, 82c, 83c to 85c. Now it is around 88c. **Sodium cyanide.** Although English origin 50 kg drums was sold from 90c to 92 per lb, yet market became quiet in late October, Shanghai buyers show no interest but Siam exporters are active as Siam is requiring this chemical for refining of gold ore. **Caustic soda solid.** Market rose at first but later declined due to new shipments and expected import embargo to come within the coming three months in Shanghai. Crescent brand 6 cwt drums sold from \$282 to \$325, the forward cargo which should arrive late November at \$220 per drum. Market for Crescent brand is still firm as no fresh shipment is due. USA origin 700 lb drums sold from \$245 to \$315 per drum and later at \$283 only. A new shipment from USA just arrived and sold \$210 to \$225 per drum. Forward sale of USA origin 700 lb drums due mid-November is around \$245.

**Glacial acetic acid.** As Shanghai and Tientsin still require large quantities of this acid, the market ruled from temporarily quiet to active. The Italian origin 25 kg carboys sold from \$1.22 per lb to \$1.30, and 50 kg carboys from \$1.15 to \$1.24. The Dutch origin 20 kg sold \$1.40, now about \$1.45. **Sodium sulphide solid.** The ICI Chin-chin brand 5 cwt drums sold from \$1000 to \$980 and then up to \$1250 per long ton. Ten days ago scores of tons were sold forward from \$620 to \$650, lately the same lot was resold from \$820 to \$860 per long ton. Dealers resold at a good profit, but buyers will hardly earn anything as hundreds of

tons will arrive in November. **Sodium hydrosulphite.** As it is required for vat dyeing, business has been recorded for a large quantity last week. The English origin 112 lb and 120 lb drums from \$160 to \$175 per picul. **Sodium bichromate.** Market active. The Australian origin 560 lb drums sold at 77c per lb on 17th October, but now price about 20% higher. Buyers want the English origin 448 lb drums which price ran from 79c to 86c. At the moment it is not available under 90c as stock declines. The South African origin 500 lb drums is up to 88c per lb. **Soda ash.** Rather big export demands continue. Crescent brand 90 kg bags dense grade sold around \$38.50 to \$39.50 per bag for many hundred bags, and the French origin 100 kg bags fluffy grade sold \$34.



As the former is old stock which has partly changed to bicarbonate forming lumps which absorbs moisture and carbonic acid gas and the latter contains impurities, there is some export demand for USA origin 100 lb paper bags dense grade which is rather short in stock and costs about \$25 per bag. Nitric acid. Dutch origin 80 kg carboys once sold 65c per lb, and the local make 57 lb carboys around 75c, however, the USA origin 57 lb carboys is about 85c. The above price is now nominal only.

Bleaching powder 35%. Stock is not plentiful but demand still quiet. Market firm with upward tendency expected. Only small lots of ICI Red Heart brand 50 kg drums sold at \$39.50 per drum. Bleaching powder 70%. Market active. USA origin 130 lb drums sold \$1.85 per lb; the 100 lb drums at \$1.33. The Japanese origin 50 kg drums was asked 85c per lb but no buyers. Ferric chloride. Although holders asked higher prices no business was recorded. English 1 cwt red drums about \$58 per drum. Sulphur. Price continued to rise under heavy demands from Shanghai and short stock condition here. USA origin 100 lb paper bags powder form from \$36 per picul to \$42, the granular form 50 kg bags also up to \$39, and 50 kg bags lump form at \$38. Forward shipment due mid-November was sold at \$31.50. Vaseline. This item has been quiet for a month, but now there are inquiries. 375 lb or 400 lb drums snow white sold around 46c per lb, and 400 lb drums of light amber sold 28c, now about 30c. Paraffin wax. Rather big business was recorded. Price of AMP 143/150 nine slabs to one carton from \$87 to \$90 and then \$90 to \$87 per picul as continued arrival of new shipments offset demands. The AMP 160/165 nine slabs to one carton is around \$110 per picul. MBT. Market advanced a little. Large business has been done, but price is still sluggish due to consecutive arrivals. English Monsanto 224 lb metal drums sold from \$1.70 to \$1.80, afterwards around \$1.75 per lb. Red iron oxide. Generally it is used as rubber filler. Small quantity was sold at \$1 per lb for the USA origin 50 lb paper bags. Sulphur black. Market advanced much. National's No. 693 100 catty drums stock nearly finished, its price from \$280 per picul up to \$350. National's No. 692 of the same dyestuff but with the different shade (693 red shade, 692 green shade) also 100 catty drums is about \$270 picul now. As North China buyer always show interest in 693. Small business has been done on 692 notwithstanding its cheaper price. Ammonium bicarbonate. Small lot was sold. Market is firm. English origin 2 cwt drums sold \$79 per drum. Zinc chloride small business recorded but continued inquiries came in. Belgian origin 5 cwt drums sold \$1100 per long ton, now asked \$1150. The 1 cwt drums asked \$1300.

Rosin. Owing to heavy demands from Tientsin, Manchuria, and Taiwan, and communication between Hongkong and East River Area (place of origin of native rosin) being curtailed the mar-

ket jumped up day by day from \$33 to \$70 per picul. Recently small lots, (about 100 to 200 cases) were imported by motor junks but the market remains firm. Ten days ago American rosin G grade 537 lb drums sold \$90 per picul, but the finer grade H was sold \$89 only. Afterwards the new shipment due Hongkong mid-November of WW grade 515 lb drums sold \$94 per picul. Sodium nitrate. 100 kg bags Belgian origin sold \$30 per picul. Acetic anhydride. USA origin 480 lb drums sold from \$1.35 to \$1.40 per lb, the 450 lb drums sold \$1.35. Scores of tons recorded. Sodium bicarbonate. Big business was recorded, all for export to Shanghai, Tientsin and some exported to Canton. Since big volume of business has been done, the stock decreased, and prices rose. ICI Crescent brand 100 kg bags or French origin 100 kg bags sold around \$38 per bag for thousand bags, and then up to \$42, \$45, and now \$52, to \$55. The price of USA origin 100 lb burlap bags paper lined inside is about \$26 per bag. Red amorphous phosphorus. Canadian origin White Bear brand or USA origin AA brand both of 110 lb cases sold \$280 per case. Buyers show much interest for French origin Lion and Fork brand of same packing which may be sold higher in North China. A big lot sold at \$375 per case.

DNCB. Market active but price unsteady. Many tons sold of ICI 280 kg drums melting point 46.5 degrees at \$1.18 to \$1.25 per lb. English origin 600 lb drums at \$1.15. However, Monsanto 600 lb drums sold up to \$1.33 and then \$1.25. Lead acetate. English origin 50 kg barrels sold \$1.26 per lb. Aniline oil. This chemical for dyestuff manufacture now is in strong demand by Shanghai. USA origin 450 lb drums sold 75c per lb, and 448 lb drums at 74c. The present stock in local godowns was imported two years ago. Some of it changed to dark color and some is leaking. Citric acid. Dull tone prevails. Only small lot was sold at \$2.05 per lb for English origin 1 cwt drums. Now it is about \$1.95 Potassium bichromate. Italian origin 100 kg barrels crystal form from \$1.15 per lb, to \$1.20. Chrome alum. This is for leather tanning like sodium or potassium bichromate. The Czech origin 200 kg wooden barrels is here about 55c per lb. If shipped to Shanghai where it is sold at HK\$2.85 per lb, big profits can be made. Borax. Market has been quiet for two to three months. Now one or two big lots were sold but inquiries are few. The market may improve soon. USA origin 100 lb paper bags sold \$22.50 per bag. Potassium chlorate. Market moved upward as Tientsin buyers are active. Cargo from Finland 50 kg wooden cases is around 66c per lb, but French origin 50kg metal drums and USA origin 200 lb metal drums advanced a little. The former sold at 75c per lb and the latter at 82c. It is about 10% higher as compared with half a month ago. Polystyrene. Market normal with dull tone. This plastic material is shipped to Siam and also used by local manufacturers. USA Monsanto 250 lb fibre drums of various colors sold \$2.40 per lb. DPG, Regular

export demands, prices unsteady. English Monsanto 150 lb drums sold \$2.25 lb and then \$2.18.

Calcium carbonate. English origin 1 cwt bags sold \$380 per long ton. Japanese origin 50 kg bags is about \$310 per metric ton. Zinc oxide. As cargo from Japan, Belgium, Canada is dearer and stock is not large buyers turn to South Africa. Spot goods of South African origin gold seal 50 kg bags sold 82c per lb, and white seal two cents lower. Forward cargo due Hongkong mid-November is at 75c. The Belgian origin 100 kg wooden barrels is about 93c per lb. Lithopone. Dutch origin 50 kg bags sold round 47c per lb. Glycerine. Market normal. As Canton sold at over HK\$4 per lb, smugglers were interested. Dutch origin 250 kg drums sold here \$1.70 per lb. Extract of mimosa. Market dull. 'Elephant brand 1 cwt bags is about \$51 per bag. Extract of quebracho. Market dull. Crown brand 105 lb bags is about \$81 bag. Boric acid. USA original 112 lb paper bags sold 50c per lb. Copper sulphate. 270 lb bags sold 39c per lb. Formalin. English origin 450 lb metal drums about 41c per lb. Chromic acid flake. USA origin 112 lb drums sold small lots at \$2.30 per lb.

#### HONGKONG COMMODITY MARKETS.

##### Cotton Piece Goods

The piece goods market was firm, especially for grey sheetings; Manila buyers were in the market and transactions were effected at \$46 per piece. Demands for white cloth have been very slack since the occupation of Canton. In grey sheetings, Prosperous were offered at \$52 per piece, Mammoth Bird at \$51, Butterfly & Globe at \$50, Fancy Butterfly at \$50.50, Dragon Head at \$52.

##### Artificial Silk

With the lack of demand for Japanese artificial silk from the Sterling area and India as well as other causes, stocks in Japan have accumulated until they are now reported to have reached 30 million lbs. On the local market Japanese cargo was quoted at the reduced price of \$5.80 per lb.; Italian artificial silk was very competitive, being offered at \$4.80 per lb.

##### Metals

The price of galvanized mild steel sheets from Japan, the importation of which is again permitted under licence, continued to fall in anticipation of fresh arrivals and during the week the thin quality G30 3' x 7' was offered at \$13.50 per piece but without sales as buyers did not wish to exceed \$13 per piece; Belgian 3' x 7' fell to \$14 per piece with the expected arrival of 500 tons; for 3' x 6' the price dropped to \$11.20 per piece from the previous price of \$11.50. Japanese galvd. mild steel sheets, thick quality, 3' x 7' G24 sold at 95 cents per lb., G26 fetched 85 cents while G28 fell to 95 cents. The market for mild steel plates was active during the week with Tientsin



and Shanghai buyers showing interest: 4' x 8' 3/32" fetched \$60 per picul; 1/8" stood at \$48 but prospects for a further rise were good; 3/16" was offered at \$45.50 per picul, 3/8" and 1/2" obtaining the same price. 3' x 6' 3/32" sold at \$58 per picul 1/8" at \$46; 3/16" to 1/4" stood at \$41. **Stainless Steel** of American origin newly arrived met requirements, G24 3' x 8' selling at \$54.00 per lb. **Steel wire ropes** of British origin aroused some interest with buyers from South Korea and Thailand as well as local dealers and transactions closed with 1" at \$1.85 per lb, 1 1/4" at \$1.65, 1 1/2" at \$1.35, 2" at \$1.15, 2 1/4" at \$1.10 and 2 1/2" at 95 cents. Since the relaxation of the Japanese import permits, a new shipment of Japanese corrugated iron sheets has arrived but little interest was shown because of the impossibility of re-exporting this commodity to Canton and South China generally. Tientsin buyers showed some interest but not enough to arouse the market: 3' x 9' and 3' x 10' were offered at 85 cents per lb while G26 2 1/2" of 8 corrugated sleeves was transacted at 58 cents per lb forward sale. In view of the expectation of further Japanese cargo, forward offers in regard to an expected British consignment could not exceed 80 cents per lb for G24 but even at that price it was anticipated that substantial profit could be made. Following a period of dullness during which only small transactions took place the zinc sheet market improved towards the end of the week due to a reduction in stocks as a result of no recent arrivals; Canton buyers were in the market: Polish G5 sold at \$125 per picul and later rose to \$132 per picul, while G6 rose from \$110 to \$113 and then reached \$118 per picul and at the end of the week was transacted at \$121 per picul. Japanese 3' x 7' old stock but with specification not up to requirements sold G5 for \$120 and G6 for \$110. The US Reconstruction Finance Corporation following the British example of lowering the price of tinplate by one cent per lb, has reduced Grade "A" tin to 95 cents. With new arrivals of over 100 tons of American misprint tinplate and with Canton out of the market, prices weakened, black base fetching \$36 per case on spot sales and white base dropping from \$55 to \$50 per case, while forward buying fell to \$46.50; Macao buyers were however in the market with transactions at \$50 per picul including freight. With small stocks of Canadian and Australian lead compounds on the market the Java product of which 100 tons arrived was favourably received and during the past week sold at \$73 per picul for 88 degrees.

#### Glass

A general lack of interest was noticeable in glass and it is probable that the future market will remain dull for a time, the restrictions imposed by the North China authorities on imports being largely responsible for this state of affairs; a fall in prices consequently took place; Belgian 24 oz. 200 ft. which was offered at \$88 per case at

the commencement fell to \$77 at the end of the week, although 18 oz. showed less variation selling at \$55 at first and falling to \$54 at the end; Czechoslovakian 300 ft. 44 oz. declined from \$600 to \$540 per case for best specification, 2nd quality fell from \$510 to \$420 and 3rd from \$390 to \$340; Polish 200 ft. 18 oz. stood at \$53 per case and French 100 ft. 16-18 oz. at \$24.50 with Japanese 100 ft. 16 oz. at \$27, a rise of \$1.

#### Paper

The paper market, with the exception of cellulose, has shown an improvement, although the price maintained before the fall of Canton have not yet been reached. In spite of heavy stocks of newsprint, over 500 tons being stored in the Hongkong godowns, the market rose during the week the spot price going up to 39 cents per lb. for 31" and 38 cents for 34"; this increase is mainly due to the confidence expressed by traders that as soon as the new administration has been organised restrictions where paper are concerned will be relaxed. Information has been received from Shanghai that the authorities there have notified paper importers to register the quantity of paper on order prior to the occupation of Shanghai but which has not yet arrived, in order that import permits may be issued; the value of these orders is substantial, and already a major portion has reached Hongkong. The shortage of spot newsprint in Shanghai has improved the price there to HK\$1.20 per lb. while bank paper has risen to HK\$35 per ream; prices in Hongkong are 36 cents per lb. for newsprint and \$11.50 per ream for bank paper. Central China is also showing an interest in paper and the price of newsprint in Canton went up to 66 cents per lb. and that of bank paper to \$30 per ream; on the other hand, cellulose fell and when compared to the price ruling in Canton before the occupation showed a drop of as much as \$8 per ream; on the local market, British 36" x 39" fell to \$77 per ream against the previous price of \$80 per ream and 40" x 51" fetched \$102 per ream; French 36" x 39" stood at \$70 per ream. Aluminium foil, Canadian origin, 4 1/2" x 6 3/4" sold at \$2.95 per lb., showing a slight improvement over the earlier price of \$2.85 though later it rose to \$3.45; the British make, after falling to \$2.60 rose to \$3.50 per lb. The cigarette paper market has been quiet since the occupation of Canton and Swatow but small transactions in 29 mm. 6000 m. Ecusta brand with green line took place at \$21.50 per ream with larger transactions at \$21; some sales were also made of Rene Bollere brand which sold at \$18.50 for small lots and \$18 for heavy sales; Centennial brand sold at an even greater reduction for large lots which went at from \$17 to \$18 per ream; Elephant brand sold at \$18.50 and \$18 for larger transactions.

#### Cigarettes

While no buying of cigarettes was reported from Canton immediately following the occupation, during the past

week individual traders began to show interest and it was reported that Gold Flake had reached as much as \$38 per carton whereas on the local market the price was \$21.30/\$20.50. The duty on cigarettes into China has been temporarily fixed at 30% of the cost price. Prices in Hongkong of Capstan 10's was \$18.30 per carton, Craven 'A' fetched \$21.20, Player's sold at \$20.50, State Express 555 stood at \$37 and Three Castles at \$23 per carton.

#### Cement

Following the suspension of exports of cement by the Taiwan Government as it was needed to fill home requirements, the market was short during the week; sales were effected at \$6.70 for spot and \$126 per ton forward delivery. In addition, information received to the effect that dealers in Indochina were finding it more profitable to ship cement direct to Manila, thus side tracking Hongkong, caused the price of Red Dragon cement to go up to \$6.70 per 1 cwt. bag for spot and \$118 per ton for forward delivery, and of the 94 lb. bags to \$5.60 per bag; new arrivals of around 11,000 tons of the 1 cwt. packing fetched \$6.80, largely going to Macao buyers. Japanese 100 cwt. packing was valued at \$6.20 per bag. Green Island cement was sold at the usual prices.

#### Dyestuffs

As noted in our last week's report the dyestuffs market showed considerable improvement; sellers continued to build up stocks in anticipation of shortly being able to despatch them into Central and South China. Re-export for Canton and other markets is again active and buyers are showing interest as shipments by way of blockade runners have proved to be extremely lucrative. Shipments by this route average 10 tons to each junk. There was an all round improvement in the market: Naphthazol A (Francolor) gave a return of \$1,900 per picul—an increase of \$450, Auramine N.150% (Francolor) sold for \$1250 as against \$1200 per picul, Congo red N 100% went for \$800, Indigo paste (Francolor) drum packing fetched \$700, Ponsol Blue RSV (Dupont) 100 catty packing showed sales at \$12,000 per picul and the 25 catty packing reached \$12,400 thus showing a rise of \$400; earlier in the week Tientsin and Shanghai were interested in this Ponsol Blue and business was done at that time for \$11,500 per picul.

#### Gunny Bags

The recent arrival of 1 1/2 million gunny bags from India combined with the present stocks in Hongkong caused the market to remain dull. Buyers from North China bought at \$2.58 per bag for spot against the earlier price of \$2.57, while forward sales were made at \$2.35. For cargo en route the forward price was quoted at \$2.52 with counteroffers at \$2.51 per bag. Old bags 1st quality sold at \$1.75 each and 2nd quality at \$1.55, while Hessian cloth (Indian origin) 11 oz. 45" fetched \$1.05 per yard for spot and 95 cents forward.



### Smoked Rubber Sheets

The smoked rubber sheet market was again active: Foreign No. 1 sold at \$120 per picul, No. 2 at \$115 and No. 3 at \$108; substantial stocks are held of No. 1 and No. 2 but stocks of No. 3 are light replenishments being expected shortly. Shoe scrap sold at \$259/\$260 per picul for spot.

### Vegetable Oils & China Produce

Tungoil (wood oil) continues to arrive from Chungking by air, being transported in drums at an average of forty a day; the cost of air freight is naturally high being reckoned at \$100 per picul, but as the cost of the oil at source is only silver \$8 per picul (HK\$25) the trade even under these conditions is profitable. Apart from air freight a shipment of some 200 drums arrived by motor junks during the week at a freight charge of \$70 per picul. In Canton the price of tungoil was \$128 per picul. On the local market the price was \$176 with export permit and \$174 without permit, an increase against the previous price of \$175 per picul with permit; sellers were holding back in anticipation of a further rise. On the other hand teaseed oil 5% acid fell from \$180 to \$168 per picul, and rapeseed oil with permit sold for \$107 per picul as against the earlier price offered by buyers of \$108. Groundnut oil was affected by the occupation of Swatow and prices on the local market were expected to rise in anticipation of a shortage in supplies: Swatow Ship brand in tins rose from \$189 to \$190 per picul, but Cup Tze (Swatow) fell from \$172 to \$168 and Dragon brand (Swatow) in tins fetched \$200 against \$205 per picul; the Bombay product sold at \$135 per picul as against \$142 previously.

With the war operations advancing into Kwangsi, supplies of aniseed star have been halted; Tientsin buyers were in the market and prices showed an improvement: Nanning, Kwangsi, 1st quality rose to \$70 per picul as against the previous price of \$60, and transactions also took place at \$75. The cassia market has also been affected with the situation in Kwangsi: the price of cassia lignea showed an improvement, sales taking place at \$65 per picul for 84 catty packing and \$63 for 60 catty packing. Cassia bud rose steeply following a heavy decline in production; during the past few years the average output of Tungching cassia bud has been approx. 20,000 piculs per season, but it has now been announced that there will not be more than 7000 piculs on the market this autumn as a result of the situation in Kwangtung and Kwangsi. The difficulty of transportation is also a factor that has to be taken into consideration; shipments of Tungching cassia bud usually came by way of Haiphong-Pakhoi-Hongkong but sailings now are irregular and merchants with obligations to meet have been active in obtaining supplies; US buyers also who held off when devaluation of sterling took place in the expectation that prices would ease off, are now with the occupation of Canton again interested and sales have taken place to them at the price of US 20

cents per lb. c. & f. compared with the earlier price of 16 cents, some 3000 piculs of cassia bud & whole being required monthly by US interests. On the local market cassia whole (old) sold at the high price of \$95 per picul; cassia bud old quality fetched \$92.50/\$91.50 per picul and new quality, slightly damaged by water, sold for \$85 per picul while undamaged stock fetched \$94. West River, Kwangtung, China rosin was faced with greatly reduced stocks and taking advantage of the situation sales were made at \$67 per picul; one lot of East River, Kwangtung, cargo which was despatched just prior to the occupation of Canton was offered at the high price of \$70 per picul, Tientsin buyers, however, counteroffered \$62. Due to the lack of supplies green ramie sellers demanded high prices, with the result that purchases were only made to meet commitments and with no profit. While the future market is promising the lack of demand obliged sellers later to make some reductions and transactions of West River, Kwangtung, quality took place at \$201 and \$207 per picul, while the Szechuen quality came down to \$196 per picul being of inferior quality to the former.

### Ores

The reduced overseas demand combined with heavy stocks caused the price of tungsten (wolfram) ore to fall and at one time 65% quality fell to \$200 per picul; however, expected difficulties in obtaining future supplies caused it to rise and sellers quoted \$230 per picul.

Exports of tin ingots via Macao which were made to avoid the surrender of exchange have been enquired into by the Hongkong authorities; shipments in future via Macao using local banking facilities will have to comply with the requirements in regard to surrendering exchange. During the past fortnight 150 tons of tin ingot have been exported, but the situation in Canton has temporarily put a stop to the obtaining of supplies from Kwangsi and Yunnan. Ho-Yuen, Kwangsi, 99% with export permit sold at \$610 per picul for small quantities, and Pat-Po, Kwangsi, 99% fetched \$580, while China tin 60% sold for \$390; British XXXX brand 42% bushing tin was required to fill the needs of local factories and fetched \$7.50 per lb.

### Beans

Taiwan buyers were in the market for red beans and sales were effected at \$36.30/\$36.50 per picul, the price later rising to \$37 but without sales; further improvement was expected.

### Tea

The tea market remained fairly steady and mainly with demands from North Africa for Taiwan tea; prices therefore showed little change. Sou-chong 2nd quality fetched \$270 per picul, 3rd quality was offered at \$230 and ordinary quality at \$210 per picul. Owing to lack of demand from the USA for black tea Broken Orange Pekoe 2nd quality sold at \$245 per picul, Orange Pekoe 2nd quality sold at \$210.

### Eggs

The occupation of Canton and Swatow has affected the local egg market due to a shortage of arrivals and supplies from Kwangtung; Tientsin and Tsingtao at present remain the only source of supply to any appreciable extent, but as these places are also short it is probable that the price of eggs will increase. Some 210 packages of eggs arrived from San-Mei, Kwangtung, during the week and sold for \$23 per 100; Tsingtao eggs fetched \$124 per 600 falling later to \$121; Tientsin 1st quality sold at \$135 per 700 and 2nd quality \$125. Duck eggs from Kwangtung districts fetched \$30 per 100, but at the close those from Pakhoi dropped to \$25 per 100 and those from Sha-cheng, Kwangtung, to \$24.50.

### Fresh Fruits

Information received from America to the effect that a cold spell in weather conditions has damaged a considerable amount of fruit, especially apples and grapes so that exports would be reduced as compared with last season has given rise to the anticipation that local market prices will show a steady rise. However in the meanwhile supplies are adequate and further new shipments are expected early next month and at regular intervals during the month. These shipments scheduled for delivery during November amount approximately to 7,000 cases of oranges, 5,000 grapes, and 4,000 cases of apples. During the week Valencia oranges 344 counts f.o.b. price increased from US\$6.50 to US\$8.50 per case; No. 1 Diamond brand apples were at US\$5.30. Transactions on the wholesale market during the past week amounted to \$27.50 per case for apples; \$33 for red grapes and from \$44 to \$45 for black grapes; Sunkist oranges were transacted at \$52 for 200 counts, \$50 for 220 counts, \$48.50 for 252 counts; Diamond brand delicious apples were sold at \$33 per case, while the all round improvement was approximately \$2 per case.

### Flour

With the improvement in price of Australian flour since the devaluation of sterling, there has been little forward buying; some buyers, however, bought 12,000 bags forward at \$16.80 per 50 lb. bag, and on the spot market for large transactions the price rose to \$17.60. Before the devaluation, Australian flour in 50 lb. bags cif Hongkong sold at approx. \$13.80 per bag. Since the Australian Government lifted the restrictions on the export of flour some 500,000 bags have been indentified of which 100,000 have arrived. Canton buyers showed an interest in the market in the anticipation of an early resumption of shipping to that city; buyers from Taiwan and Macao were also in the market, the Macao dealers being particularly interested in buying for the South China market to which the flour finds its way overland. Delta's Queen in 50 lb. bags fetched \$19.70 against the earlier price of \$19.60. Red Dragon on the other hand fell from \$20.50 to \$19.80; forward bookings of White Greens (USA) were made at \$21 for October shipment and \$18.20 for November.



## Hongkong Imports &amp; Exports of Selected Commodities

FOR THE MONTH OF SEPTEMBER, 1949

## WOLFRAM

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ....	—	—	1,882	458,254
Belgium .....	—	—	1,260	337,260
China, Middle .....	209	63,405	—	—
" South .....	9,743	1,726,646	—	—
Korea, South .....	195	44,500	—	—
Macao .....	297	65,860	—	—
U. S. A. ....	—	—	5,969	1,571,828
Total .....	10,444	1,900,411	8,911	2,367,342

## ANTIMONY

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
China, South .....	7,208	1,248,647	—	—
Macao .....	25	3,050	—	—
Total .....	7,233	1,251,697	—	—

## TIN INGOTS (of Chinese origin)

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
China, South .....	9,647	5,662,774	—	—
U. S. A. ....	—	—	3,334	2,018,376
Total .....	9,647	5,662,774	3,334	2,018,376

## MALAYAN TIN INGOTS

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Malaya .....	504	272,160	—	—
Total .....	504	272,160	—	—

## TINNED PLATES

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	347	49,500	—	—
China, North .....	—	—	4,522	264,390
" Middle .....	—	—	769	91,932
" South .....	—	—	1,073	60,051
Korean, South .....	—	—	1,020	70,638
Macao .....	—	—	153	9,422
U. S. A. ....	29,145	1,551,020	—	—
Korea, North .....	—	—	168	8,500
Total .....	29,492	1,600,520	7,705	504,933

## VEGETABLE OILS

## ANISED OIL

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	203	126,734
China, South .....	24	12,000	—	—
Fr. Indochina .....	90	12,150	—	—
Holland .....	—	—	16	11,025
Macao .....	3	2,244	—	—
U. S. A. ....	—	—	33	17,460
Total .....	117	26,394	252	155,219

## CASSIA OIL

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	16	12,206
Malaya .....	—	—	6	10,010
China, South .....	9	10,462	—	—
Macao .....	55	53,404	1	720
U. S. A. ....	—	—	48	65,612
Total .....	64	63,866	71	88,548

## WOOD OIL (in drums)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	588	97,536
Australia .....	—	—	4,113	236,490
India .....	—	—	890	142,224
Malaya .....	—	—	342	55,304
New Zealand .....	—	—	470	72,542
North Borneo .....	—	—	21	3,170
South Africa .....	—	—	117	18,732
Belgium .....	—	—	168	26,040
China, South .....	8,811	1,250,427	—	—
Holland .....	—	—	252	41,330
Macao .....	358	48,600	—	—
Norway .....	—	—	251	38,440
Neth. East Indies ...	—	—	336	46,872
Siam .....	—	—	14	1,876
Sweden .....	—	—	252	42,100
U. S. A. ....	—	—	1,951	323,279
Total .....	9,169	1,299,027	9,765	1,145,935

## WOOD OIL (in bulk)

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	18,295	2,889,263
U. S. A. ....	—	—	18,807	2,655,814
Total .....	—	—	37,102	5,545,077

## OTHER OILS (from seeds, nuts and kernels)

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	1,381	183,171
China, South .....	1,104	130,969	—	—
Macao .....	—	—	1	116
Total .....	1,104	130,969	1,382	183,287

## COCONUT (COPRA) OIL, REFINED

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Malaya .....	3,038	321,585	—	—
North Borneo ....	945	94,422	—	—
China, North .....	—	—	1,793	199,550
" Middle .....	—	—	422	45,900
Korea, South .....	—	—	1,098	117,940
Macao .....	120	12,000	120	12,750
Siam .....	1,186	130,460	—	—
Total .....	5,289	558,467	3,433	376,140

## LINSEED OIL

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Malaya .....	150	24,000	—	—
China, Middle .....	—	—	4	630
Macao .....	—	—	3	388
Philippines .....	—	—	6	1,400
Total .....	150	24,000	13	2,418

## GROUNDNUT (PEANUT) OIL

Countries	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
India .....	826	115,195	—	—
Malaya .....	90	11,700	723	77,585
New Zealand .....	—	—	150	31,800
Br. Empire, Other ..	—	—	15	2,250
China, North .....	6,280	885,347	—	—
" Middle .....	2,538	389,645	3,354	446,460
" South .....	385	55,750	—	—
Macao .....	395	54,949	6	960
Siam .....	4,054	724,643	—	—
Korea, North .....	3,360	400,000	—	—
Total .....	17,928	2,637,229	4,248	559,055



### Hongkong Stock & Share Market

A further slight improvement in all-round prices featured last week's market with the index showing a gain of 1.03. Inquiry was lively and sellers less anxious to liquidate expecting now higher prices before the close of the year. New buyers have shown interest and some gold forward operators have switched over to the share market. Small investors have also gingerly come forward as the firm prices induce reconsideration of investment plans.

Good earning results of companies continue to be whispered about—directors and secretaries still refusing to vouchsafe any direct information to the investing public.

The situation in Canton is now no longer considered as in any way ominous for the prosperity of the Colony; on the contrary, it has become the topic of business conversation to exaggerate the profits which China traders are currently reaping. No 'threat' to Hongkong although a feeling of uneasiness as regards long-range 'red' policy still lingers on.

**Volume of Business:**—Total sales reported for the five days of trading last week amounted to 109,375 shares of an approximate value of \$2½ a decrease of \$¼ million compared with the previous week.

**Price Index:**—The Felix Ellis averages based on the closing prices of twelve representative active local stocks closed at 126.97 showing a net gain of 1.03 compared with the close of the preceding week. Day-by-day averages were: October 24. 126.49;

October 25, 126.54; October 26, 126.45; October 27, 126.35; October 28, 126.97.

	High.	Low.
1947 .....	155.82.	123.88.
1948 .....	148.68.	134.05.
1949 .....	138.37.	123.32.

#### Business Done:—

**Hongkong Government Loans:**—Hongkong Govt. 4% @ par plus Interest; 3½% 1948 @ par plus Interests.

**Banks:**—H.K. Banks @ 1475, 1480, 1485, 1490, 1480, 1485, 1490.

**Insurance:**—Canton Ins. @ 305; Unions @ 680, 670, 690; H.K. Fires @ 215.

**Shipping:**—Union Waterboats @ 27.

**Docks, Wharves, Godowns, Etc.:**—H.K. & K. Wharves @ 105, 107, 108; Sh. Hongkew Wharves @ 10; H.K. Docks @ 17½, 18, 18½, 18½; China Providents @ 11¼, 11¼; S'hai Docks @ 7, 7.20, 8; Wheelocks @ 28½, 29, 29½.

**Mines:**—Raubs @ 5.65.

**Hotels & Lands:**—H.K. & S'hai Hotels @ 11.20, 11.30, 11½; Lands @ 51½; S'hai Lands 2.30, 2.40.

**Utilities:**—Hongkong Tramways @ 16.20, 16½, 16.20, 16.15, 16.20, 16.10, 16.20, 16.10, 16.20, 16.30, 16.40, 16½; China Lights (O) @ 12.30, 12½, 12.30, 12.20, 12.15, 12.20, 12.30, 12.40, 12½, 12.60; China Light (N) 9.20, 9.10, 9.25, 9.30, 9.40, 9.30, 9.20, 9.15, 9.20, 9.30, 9.40, 9½, 9.60, 9½, 9.60; Hongkong Electrics @ 31½, 32, 31¾, 31½, 31¼, 31½, 32, 32½; Telephones @ 19, 18½, 19, 19.40, 19½.

**Industrials:**—Cements @ 21.

**Stores:**—Dairy Farm @ 42, 41½, 41¼, 41¾, 42, 42½, 42¾, 42½; Watsons @ 43, 43½, 44, 44¾, 45.

**Cottons:**—Ewos @ 5½, 6, 6½, 6¾, 6.80, 6.85.

Highest & lowest quotations of last week, and sales of stocks:—

	High	Low	Sales
H.K. Banks	\$1490	1475	186
Union Insur.	690	670	55
Canton Insur.	305	305	25
H.K. Fires	215	215	20
Wharves	108	105	306
Union Water-boat	27	27	800
Docks	18	17½	3,500
Providents	11¼	11¼	1,300
Hotels	11.3	11.2	20,900
H.K. Lands	51½	51½	100
Trams	16.6	16.1	15,334
Electrics	32½	31½	7,665
Lights: old	12.6	12.3	12,488
" new	9.6	9.1	25,741
Telephones	19	18½	2,000
Cements	21	21	4,300
Dairy Farms	42¾	41½	7,750
Watsons	45	43	5,950
Ewos	6.85	5½	9,700
S'hai Lands	2.4	2.3	4,000
S'hai Docks	8	6	2,300
Wheelocks	29½	28½	762
Raub Mining	5.65	5.65	1,200
H.K. Govt Loans			
4%	100	100	\$ 52,000
3¼% (1948)	100	100	\$120,000

### SESAMUM OIL

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Canada .....	—	—	56	12,826
Malaya .....	—	—	74	19,128
Macao .....	—	—	53	4,415
Philippines .....	—	—	5	1,510
Siam .....	28	4,200	—	—
U. S. A. ....	—	—	54	13,388
Total .....	28	4,200	242	51,267

### SOYA BEAN OIL

Australia .....	—	—	117	15,876
China, North .....	7,608	912,960	—	—
Korea, South .....	200	24,000	—	—
Total .....	7,808	936,960	117	15,876

### TEA SEED OIL

United Kingdom ...	—	—	25,594	4,331,625
Malaya .....	—	—	5	900
China, South .....	7,388	1,104,493	—	—
Germany .....	—	—	54	9,896
Total .....	7,388	1,104,493	25,653	4,342,421

### BRISTLES

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	471	720,010
Australia .....	—	—	23	135,807
Belgium .....	—	—	324	94,809
China, North .....	1,004	1,430,881	25	54,000
" South .....	515	474,574	—	—
Germany .....	—	—	325	130,500
Italy .....	—	—	50	15,000
Korea, South .....	80	142,500	—	—
" North .....	498	1,830,000	—	—
Sweden .....	—	—	21	68,384
U. S. A. ....	—	—	3,390	5,363,971
Total .....	2,097	3,877,955	4,629	6,582,481

### RUBBER, RAW

Malaya .....	48,739	4,505,706	—	—
North Borneo .....	544	48,120	—	—
China, North .....	41	3,850	38,545	3,554,357
" Middle .....	—	—	168	13,000
" South .....	262	47,700	5,565	450,206
Japan .....	—	—	3,360	266,560
Korea, South .....	—	—	10,883	921,134
Neth. East Indies ..	251	20,656	—	—
Total .....	49,837	4,626,032	58,521	5,205,257



## EXCHANGE &amp; FINANCIAL MARKETS

## US\$ Market

Highest & lowest rates of last week in HK\$:—US notes 611—603½, DD 615—609, TT 617½—611, corresponding to crossrates of US\$ 2.59—2.62.

In overseas centres free sterling transfers were quoted from 2.54—2.60 in New York to 2.50—2.55 in Western European exchange markets (Zurich, Milan, Paris, Brussels).

The local crossrate is slightly higher than overseas crosses which nevertheless is a matter of interest to arbitrageurs who transfer funds from London to Hongkong where, after they obtained the local Control's permission to enter HK\$ into their bank credits, on the open market TT New York is acquired. The local crossrate is bound to lead other free or unofficial markets; supply will continue to exceed demand largely on account of the presence of very large amounts of US\$, owned by refugees from China, in Hongkong and the regular sales of US exchange by Chinese private and official (KMT and bureaucratic) parties. If the crossrate in, say, Zurich remains around the present level or, what is deemed probable, advances (i.e. the gap between the official and unofficial rates narrows), the local US\$ price should weaken (HK\$ on the open market should display strength). If left to itself, that is without the intervention of the arbitrage, the local US\$ rate should drop below HK\$6, and stay there.

Sales in the unofficial market totalled US\$ 2¼ million (TT 1 m., DD and notes 1¼ m.). Buyers were a few gold importers (who airfreight irregularly smaller bullion cargo into Macao), commercial importers and dealers; sellers were exporters, recipients of drafts from abroad (family remittances), refugees from Shanghai and other Chinese ports.

US\$ in Tokyo account was not dealt in as the suspension of Japan trade has not yet been lifted. Some sellers would be prepared to quote 15 to 20% above the free market TT New York.

KMT officials and others connected with the nationalists have recently transferred all or part of their funds and assets from Hongkong to Taiwan and elsewhere. These people were supposed to have converted HK\$ into US\$ thus causing more demand for US\$. However, the refugees from China, with or without official connections and 'bad records' from Peking's point of view, never held HK\$ balances, keeping their funds in US\$ and

doing business, of whatever description, mostly on a US\$ basis. What HK\$ they may have held earlier they converted the local currency long ago into US\$, the only thing in which they believe and which they hold dear.

## Gold Markets

Highest & lowest rates of last week per .945 hongping tael \$326—306, corresponding to .99 fine gold of \$341.52—320.57 (per .99 fine oz troy \$283.82—266.41). Some export business was done in .99 fine tael from \$321 to 342. Local gold crossrates US\$46, high, 43½, low.

In Shanghai gold prices in terms of foreign exchange dropped; on the curb market the gold crossrates moved between US\$36 to 39 per oz. Further decline in gold prices in China is anticipated; the demand by hoarders has ceased although inflationary pressure continues in the country and prices increase in terms of People's Bank yuan. Nevertheless, the financial policies of the new People's government are considered sound and confidence in the ability and integrity of the new authorities is growing.

The need to hoard gold has passed; the process of dishoarding has commenced. There are now more sellers than buyers and gold, in terms of US\$ and other foreign exchange, declines consequently. It is especially merchants who are defrosting their capital which was kept in gold, and are reinvesting it in commerce. This process of gold disinvestment by merchants and small investment demand by the public has been observed elsewhere in 'red' China and curb market prices for gold have steadily declined until the US Treasury buying price of US\$35 per oz has been, more or less, reached.

Local prices kept on receding last week, fluctuations were small (\$20 per tael or 6¼% over the week), no rumours or stimulating information affected transactions. The market here is slowly getting into line with international bullion markets. The enormous trading stock exercises a depressing effect on the market and, additionally, there are hoarded hundreds of thousands of ozs in banks' and private vaults which fortune may, partly, also seek profitable employment. Prices are therefore continuing weak and the overbought speculation is paying heavily for its financial imprudence. The daily change over interest has

somewhat come down and is bound to decline further as local gold prices drop but still the tribute paid by the bulls to the bears (the oversold speculation) is very heavy.

Trading reports of last week and including Monday, October 31:—

Monday Oct. 24:—Opening and closing rates \$323-318½. On the fictitious forward market the change over favoured sellers at the interest rate of 16 cents per tael of .945 fine per day. Change over rates continued in favour of sellers. The highest rate of the period, 326, touched, but arrivals in Macao and drops in Canton induced selling. Tuesday, Oct. 25:—Opening and closing 317½-318½. Change over 9 cents. Market quiet and featureless. Wednesday, Oct. 26:—Opening and 318½-319½. Change over 10 cents. Market continued quiet. Thursday, Oct. 27:—Opening and closing 319½-315½. Change over 11 cents. No immediate hope for rises, bulls liquidated. Friday, Oct. 28:—Opening and closing 314-313¼. Change over 10 cents. Without support, market quietly easy. Saturday, Oct. 29:—Opening and closing 313½-313¾. Change over 19 cents. Market continued quiet. In the afternoon, unofficial business done at 313. Monday, Oct. 31:—Opening and closing 314-308. Change over 47 cents. Heavy change over interest caused heavier drop.

During the period of seven trading days, official and unofficial tradings totalled 245,000 taels or at an average of 35,000 taels per day. Positions left open estimated to be at an average of 175,000 taels per day, in which interest hedging forward operators, gold importers and Canton operators oversold, while Shanghai, Swatow and local operators overbought.

Cash bars turned over officially 21,780 taels, unofficially about 16,000 taels, a total of 37,780 taels.

A total of 7,000 taels were imported, viz. 3,000 taels from North China and 4,000 taels from Macao. About 3,000 taels were exported, (2,000 taels to Bangkok and 1,000 taels to Singapore). Local consumption figured at about 4,000 taels.

Stocks remained unchanged and were estimated to be about 355,000 taels.

Of the cash bar turnover, about 30,000 taels changed hands among interest hedging forward operators.

Highest and lowest rates for the month of October were \$334½-306; rates fluctuated about 9 per cent. Change over interest totalled \$6.38, and calculating at the mean price of \$320, the yield was about 24% p.a.

HONGKONG OPEN MARKET RATES  
per US\$100

October	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
24	6.11	6.03½	6.15	6.11½	6.17½	6.13
25	6.10½	6.07	6.14	6.09	6.16	6.11
26	6.08¾	6.07	6.10½	6.09½	6.12	6.11
27	6.09¼	6.07	6.12½	6.10½	6.14½	6.12
28	6.08¾	6.06½	6.13	6.10½	6.13½	6.12
29	6.10	6.07¼	6.13¾	6.12	6.14½	6.13½

## Silver Markets

The London silver price both spot and forward for .999 fine oz continues to be quoted, since £ devaluation (Sept. 20), at 64d. Prior to devaluation the official price was 44½d. for cash and 2 months' delivery, the figure at which it had remained unaltered since Aug. 26. The new post-devaluation price is slightly over parity with New York at 73½ cents. At the new 64d. price the demand for silver for essential purposes, previously supplied



from official stocks, was met in London by sales of internal silver which had been acquired over a period as a hedge against devaluation. These offerings persisted and with demand only moderate the price broke away from the US\$ parity when, on Sept. 22, it was fixed 1½d. lower at 62¾d. The decline continued until 62d. was touched on Sept. 26. Thereafter however with offerings of internal silver gradually disappearing there was a steady reaction and 63½d. was reached on Oct. 7. On Oct. 10, in the absence of other supplies recourse had to be made to the official quarter for silver to meet the needs of essential industries and the price was, in consequence, fixed again at 64d. Since then there has been no change. The New York quotation ruled continually at 73¼ cents per fine oz.

The local silver market last week quoted the following prices, in HK\$:—per hongging tael 4.60—4.40, Hongkong and other dollar coins 2.98—2.70, Chinese dollar coins 3.15—2.90, twenty cents coins 2.55—2.40 (per 5 pcs).

Chinese dollar coins gained in price as a result of the high crossrate fixed by the new Canton authorities, viz. HK\$4 per one silver dollar coin. Thus, purchases of these coins were encouraged here and travellers and smugglers availed themselves of this opportunity to make a profit between the local price of about \$3 and the Canton official conversion price of \$4. Business last week in the native silver market was valued at \$350,000. Imports (unrecorded) were small, coming from Taiwan and Kwangtung with some mixed coins arriving from Japan. Exports were estimated at 24,000 Chinese dollar coins, carried mostly by profiteers for the reason stated above. Exporters and dealers are accumulating stocks in the expectation of resumption of exports to the UK and US.

#### Silver Imports & Exports

During September total imports of silver into the Colony as far as recorded by Government valued \$87,276,140, a quantity of 24,190,440 ozs troy, and total exports value \$12,911,801, a quantity of 3,432,065 ozs. Details are published in the table below.

All imports of coins from the UK, Mexico and the US were on account of the Kuomintang government who arranged for the dispatch of part of these coins to the various seats of the military and civil authorities on the mainland and in Taiwan. Practically all imports came from the US where the heaviest KMT orders had previously been accepted by the American mints. The largest export during Sept. was shipped by the KMT authorities here to Canton where, before Oct. 14, when the People's Liberation army took over, the central government was supposed to have foregathered. A very large balance of coins was however left in Hongkong, valued approx. at \$75 million. It is supposed that the large silver coin stocks accumulated by the KMT

government here will eventually be shipped (or flown) to Taipeh, the actual centre of activities of that government.

The current market price per Chinese dollar coin is \$3, while silver in bars costs about \$4½ per tael or \$3¾ per troy. oz. The prices recorded by the local trade statistics are as follows:—one oz of silver in bar form, imported from Malaya, \$2.70; export to China \$4.34. One oz of silver in coin form, imported from the UK, \$3.61, from the

US, \$3.61, and from Mexico, \$3.01; exported to North and Middle China, \$4, and to South China, \$3.62.

There has been some unrecorded silver trade during September but quantities, other than Chinese coins, were small. Dealers' stocks have been filled up to some extent in expectation of future export shipments, to the UK and the US. Coins have been carried in and out of Hongkong mostly on the person of travellers and small traders.

#### Imports & exports of silver in bars and coins for September 1949:—

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Ounces	\$	Ounces	\$
Malaya . . . . .	25,000	67,500	—	—
China, Middle . . . . .	—	—	195,193	847,626
Total . . . . .	25,000	67,500	195,193	847,626

  

Silver Coins.				
United Kingdom . . . . .	305,400	1,104,000	—	—
China, North . . . . .	—	—	560,000	2,240,000
" Middle . . . . .	—	—	290,000	1,160,000
" South . . . . .	—	—	2,387,872	8,664,175
Central America . . . . .	157,000	472,640	—	—
U. S. A. . . . .	23,703,040	85,632,000	—	—
Total . . . . .	24,165,440	87,208,640	3,237,872	12,064,175

#### Chinese Exchange Markets

Hongkong exchange business with China:—(1) Shanghai: Rates for gold and US\$ remittances were quoted last week (highest & lowest) as follows: gold ozs 790—700 here for 1000 in Shanghai; US\$910—850 here for 1000 in Shanghai. No other remittances (in PB\$ or HK\$) were reported. That gold and US\$ transfers from Shanghai to Hongkong are subject to such heavy discounts (21 to 30% for gold, 9 to 15% for US\$ remittances) reflects the growing unfavourable balance of trade in Shanghai and continued outflow of capital from China. Merchants in Shanghai are importing more than exporting and cover the balance by sending gold bars and US notes (also transferring some of their free funds in New York to the Hongkong seller's account) to the Colony. Export goods are not easily obtained in Shanghai, at least as far as private traders are concerned. Total business done here last week: about 4200 taels of gold, US\$86,000.

(2) Canton: All transactions are done in HK\$ which currency remains the medium for all payments in Canton. It is expected that the official conversion will soon be announced and the rate be fixed with more realism; at present the official rate per HK\$ is PB\$500 while the curb market exchanges HK\$ around PB\$700 to 900. Rates here were from HK\$953 to 965 per 1000 in Canton. Total sales: \$2.3 million. Rates should soon balance out

as there is no justification for any discount, either way. Hongkong currency continued to return to the Colony and was partly hoarded here by Cantonese refugees or put into bank accounts.

(3) Swatow: Rates were from HK\$ 870 to 920 here for 1000 in Swatow. The heavy discount was a result of flight of capital to the Colony and large import orders by Swatow merchants for cotton goods. Total sales: \$1.2 million.

(4) Amoy: Owing to continued civil war operations in the Amoy area no business was transacted.

Silver Dollar Certificates:—There was a flood of these certificates coming to Hongkong from Canton as the curb market price in Canton was HK\$1.20 to 1.50 while local native banks paid \$1.70 to 2 (the market average price per Chinese silver dollar is \$3). The Central Bank of China in Kweilin and Chungking continued to redeem its certificates giving silver coins or gold bars (at the option of certificate holders). By dispatching these certificates from here to Chungking enormous profits have been made; the 'suckers' are those Cantonese who got panicky and threw the certificates away for less than half their redemption value. It is possible to send silver dollar coins—after having obtained redemption of certificates—from Chungking to Canton where the People's Bank will pay HK\$ 4 for them. All this business appears, to Western people, like madness.



**People's Bank dollar:** Official rates in Shanghai and Tientsin were unchanged, viz. Tientsin Bank of China buying rates for TT London PB\$13,000, TT New York 4800, TT Hongkong 680 (crossrates US\$2.708 per £, HK\$705.88 per US\$, HK\$19.12 per £); Shanghai Bank of China buying rates for TT London PB\$11,250, TT New York 4500, TT Hongkong 620, TT Bombay 840 (crossrates US\$2.50 per £, HK\$725 per US\$, HK\$18.14 per £). Bank notes are bought slightly below TT rates. The TT New York official rate is generally considered realistic but £ and HK\$ are undervalued. It is inexplicable what causes, in Tientsin and Shanghai, a sterling/HK\$ crossrate of HK\$18 to 19 seeing that there is a fixed relationship between these two currencies, viz. HK\$16 per £.

The curb market of Tientsin quotes US notes at about the same price as the Bank of China buys TT. The curb market of Shanghai quoted during the last fortnight the following highest & lowest prices:—US notes PB\$7700—5500, gold in bars per oz PB\$300,000—160,000, Hongkong notes PB\$980—680. When gold was actually transacted in terms of US exchange the rates were from US\$36½ to 39 per oz. These prices are also usually quoted by curb market operators as gold cross rates.

Official rates in Canton: Hongkong notes PB\$500, silver dollar coins (Chinese mints) PB\$2000. The curb market quotes Hongkong notes from PB\$610 to 950, silver coins around PB\$ 2100. Gold prices (.99 fine) from HK\$ 340—400 per tael (1.2033 ozs troy).

**Developments in Canton:** The new financial authorities are organising a branch of the People's Bank of China and a new office of the Bank of China (foreign exchange agent of the People's Bank). Meanwhile the circulation of HK\$ is unimpeded. Conversion of the people's holdings in foreign currencies will commence as soon as the new regime has prepared for it. The conversion rate will be probably set in accordance with prevailing curb market quotations.

Of the total HK\$ holdings in Kwangtung, the majority of which is concentrated in Canton, possibly 50% will eventually be officially converted into PB\$, the other half either being retained by holders (in spite of HK\$ possession to be outlawed after expiry of conversion deadline) or sent to Hongkong (for depositing in local bank accounts, or conversion into gold, US\$ and other foreign exchange at free market rates, or utilised for financing of imports into Kwangtung with self-provided exchange). The People's Bank will secure a large amount, possibly HK\$70 to 80 million, from the compulsory currency conversion, and in addition also several millions of US\$ which currency has, since Shanghai's liberation last May 25, significantly increased in Canton. It is expected that these HK\$ funds (in bank notes) will be used by the People's Bank both for establishing a small foreign exchange fund (in Hongkong and in London, the latter by transferring HK\$ to a new £ account in London), for making official

purchases in the sterling area, and for conversion on the local open market into US\$ (again for establishing a US\$ exchange reserve and financing of imports from the dollar area).

**Developments in Kwangtung:** Last week saw the establishment of the Southern People's Bank of China in Swatow and the issue of a new type of paper currency which was officially quoted at Southern PB\$1852 per HK\$ 1000. These notes are as yet rarely seen in Swatow and Chiuchao (Teochew) district. The rate appears more arbitrary than realistic.

In the East River district (Wai-yeung), to the north of the Colony, the People's Liberation army circulated notes of the Southern People's Bank and quoted them at Southern PB\$1 to PB\$250; additionally, the military circulated another scrip called "Sun Luk Hong" (New Land Company). In Northern Kwangtung the People's Liberation army also circulated notes called "Kwangtung - Kiangsi - Hunan military notes," which were quoted officially by the army at one to PB\$ 250.

There is some currency confusion in Kwangtung a development which could not be avoided due to the rapid advance of the People's forces. Within a short period the currency position of South China will be cleared up and unified; it is possible that South China may temporarily have a currency different from North and Central China (where the PB\$ reigns) and Manchuria (where the North-East yuan is the legal tender). The notes of the Southern People's Bank of China may eventually become legal tender in Kwangtung and other South China provinces (from Fukien to Yunnan).

#### Unofficial Exchange Markets

Macao patacas regained some lost ground as there was some demand for this money coming from gold importers who need it for paying duty to the government. Rates were 82½ to 85 patacas per HK\$100, still an appreciation of HK\$ on the open market against the official Macao - Hongkong exchange parity.

Piastre forward sales were fixed at the Gold & Silver Exchange Society at \$11.90 per 100 piastres but no business was recorded. Cash sales were small and done from \$12.10 to 12.60. The piastre forward market, once a big attraction of speculators, operated similar to gold forward contracts but has been entirely neglected of late and most positions left open in the past will be set off soon.

Highest & lowest rates for bank notes, in HK\$:—Nica guilders 24.60—24. Baht 27. (per 100 currency units). Pound sterling 15.55—15.40, Australian pound 12.55—12.40, Canadian dollar 5.32—5.27, Indian rupee 1.17½—1.17, Burmese rupee 0.77—0.74, Ceylonese rupee 1, Malayan dollar 1.83½—1.83, Philippine peso 2.99—2.93.

#### Netherlands Trading Society

To the general meeting of shareholders of the Netherlands Trading Society to be held at Amsterdam during November it will be proposed to declare a dividend of 7% for the year 1948. A proposal will be submitted to appoint Mr. K. F. Zeeman and Mr. H.W.A. van den Wall Bake as Managing Directors as from January 1, 1950.

\* \* \*

#### Japanese Export Contracts

Export contracts concluded in August totaled around US\$32,245,000, decreasing from the July figure by \$1,503,000. In addition to the universal dollar shortage, the deflationary turn of economy and the intensified sales campaign in international trade, the protracted negotiation of a trade agreement with the sterling area was directly responsible for the decrease. Decreased exports to Asian markets, above all, derived from it. Compared to the preceding month, a decline was seen in machinery and sundry goods, while those increased comprised textiles, agricultural and fishing products, chemicals.

A specification of export sales is as follows:—(Unit: US\$1000)

	August	July
Machinery, Metallic Products	10,420	11,047
Textiles	13,778	13,622
Chemical Products	141	139
Agricultural, Fishing Products	3,938	3,715
Sundry Goods	3,987	5,224
Total	32,244	33,747

#### Japanese Financial Report

For the second time the Bank of Japan will issue one thousand yen notes with a view to relieving the people of such inconveniences as putting a bundle of small notes in or out of their pocket. For the first time one thousand yen notes were issued during the period from August to December 1945. Then the Bank stopped the issuance and those in circulation were recalled by February 1946, when the Government enforced the Emergency Financial Measure. Frequent demands for a bigger note than ¥100 were heard recently. One should mention in this connection a motion moved to the Government nearly a year ago by the Federation of Banking Employees Unions. Accounts were given against those abortive proposals by government officials who said that as long as there existed inflation in the country, an issuance of such big notes was dangerous.

As of the end of July, this year, the Bank of Japan notes stood at 297,600 million, of which ¥100 notes constituted 95.25 per cent. Banking organs will be able to economize greatly on employees engaged in the cash departments. Around 20 per cent of the existing people in the cash departments will be shifted to other necessary jobs in case one thousand yen notes constitute 50 per cent of the total note issue, 25 per cent in case the ratio of the note rises to 60 per cent, and 30 per cent in case of 70 per cent.



## THE PORT OF HONGKONG AND SHIPPING CONDITIONS IN THE COLONY

The Hongkong Marine Department has concluded its report for the fiscal year April 1948 to March 1949 which reflects in every instance the remarkable expansion of shipping business here, the progress in the rehabilitation of the port and its development into the most efficient and cheapest one in the Far East. The community has every reason to be satisfied with the performance of the Marine Department's duties in the year under review; cooperation between the merchants, shipping companies and the authorities here leaves nothing to be desired.

Port facilities have been expanded and brought up to a very high standard which is a great credit to the Colony and its inhabitants. Shipping statistics prove that record tonnages of cargo and record numbers of passengers have been handled.

Passenger accommodation on ships trading to the United Kingdom and Europe is still inadequate to the demand despite the very heavy air traffic between the Colony and Europe. The Peninsular & Oriental Steam Navigation Company now has a regular monthly service to London with all accommodation fully booked well in advance. British and foreign flag vessels with accommodation for a limited number of passengers offer first class additional passage facilities at regular intervals, which are also fully taken up. Accommodation to Australia is likewise taxed to capacity, both to and from the Colony.

A continued improvement has been achieved in the turn round of vessels and in the rate of cargo handling. It can now be fairly claimed that the Port of Hongkong is the cheapest in the Far East with a first class record for safe cargo handling, and pilferage losses at a minimum.

The considerable number of miscellaneous small vessels supplied by the Ministry of Transport and the Services in 1946 and 1947 to enable the Government port services to operate after the reoccupation are still the subject of negotiations, and although these vessels have served their purpose they are at best a makeshift and must be replaced as soon as designs can be prepared and reasonable deliveries of materials and machinery are available. Many of the craft are already reaching the end of their useful life and despite purchase of large quantities of spares, it cannot be anticipated that, with the present fleet, Government services can be maintained for a period much in excess of five years.

There is a record number of vessels registered in Hongkong, namely 232 ships, against an average of 19 ships annually for the years 1864 to 1941.

### Telecommunications—Marine Services

The Post Office (Telecommunications Branch) maintains a radio telegraphic service with ships at sea on 500 Kc/s (600 metres) 11,200 Kc/s (26.79 metres) for non-British ships using the call sign VPS. The transmitting

station is located at Cape D'Aguilar, with a receiving station at the Royal Observatory in Kowloon where a continuous watch is maintained on 500 Kc/s (600 metres) and 11,400 Kc/s (26.32 metres) for non-British ships throughout the 24 hours.

The long distance ship-shore radio communication scheme for British ships is operated in Hongkong by the Telecommunications Branch in cooperation with the Royal Navy, using the Admiralty Far Eastern Area receiving station GZO which is linked by teleprinter to the Government Radio Office. All messages intended for British ships in this area, however, are transmitted through the Admiralty Radio Station GYL located at Singapore. Details of this scheme, including times and frequencies used are published periodically in "Notices to Ships Wireless Stations" by the British Post Office and issued to British ships.

Navigation warnings, weather reports and general information are broadcast simultaneously on both 500 Kc/s (600 metres) and 11,200 Kc/s (26.79 metres) at 0030, 0630, 1230 and 1830 G.M.T. In addition, every hour on the hour, a general call to all ships for which messages are on hand is broadcast on both 500 Kc/s (600 metres) and 11,200 Kc/s (26.79 metres) simultaneously.

A Radio Beacon located at Waglan Island is available for the use of shipping, and is operated on request to VPS and emits a continuous wave carrier on 300 Kc/s (1,000 metres) with the 800 cycle tone modulated characteristic WL repeated twice every minute.

Free medical advice is available to ships at sea.

### Marine Navigational Aids

A new electric light with generating and compressor plant and diaphone, and new equipment for a light and oscillator for Lam Tong are expected in the Colony in the early autumn of 1949. This equipment is being manufactured partly in England and Sweden. Plans are in hand in anticipation of its arrival for the reconstruction of the engine house at Waglan and for the construction of a new engine house, equipment station and quarters at Lam Tong.

Blackhead Light was re-established during the year to assist vessels entering port via Lyemoon, as an electric and automatic Aga light showing two quick flashes every 10 seconds. With the same characteristics as Blackhead the light at Cape Collinson has also been re-equipped with an automatic gas Aga light during the same period. No further progress has been made in the re-establishment of the light at Gap Rock, although the Chinese Maritime Customs have made a number of enquiries about the progress of the delivery of this equipment.

A radio direction finding calibration range has been established on the western approaches to the Port of Hongkong and the facilities provided

have been welcomed by ship owners and equipment suppliers.

Throughout the year investigations have been proceeding in a study of the application of radar or radar facilities to the Colony and detailed statistics of fog hours etc. and ship delays in arrival due to fog are being carefully analysed.

### Port Communications

This post war system has continued to provide first class facilities throughout the year and has been the object of much favourable comment on the efficiency and promptness of the service provided. A mast with typhoon night signals has been erected on the east side of Stonecutters Island and operated during the typhoon season.

### Light Dues

Light dues remain unchanged at five cents per net ton for ocean-going vessels and two cents per ton for river vessels with vessels of less than 20 tons net and British and foreign men-of-war entirely exempted. No tonnage dues are payable.

### Port Facilities

No material changes in the depth of water in the harbour have been noted. During the year the anchorage areas inside the Yaumati and Causeway Bay Typhoon Shelters were re-arranged. Dredging has removed a considerable amount of accumulated silt in the vicinity of the nullah outfalls in the Yaumati Shelter and a 300 foot fairway now surrounds the anchorages with a 100 foot central fairway providing easy access for patrolling Police launches and for fire floats in the event of fire in the area. Dredgers are to start operating in the Causeway Bay Shelter, as here again there has been a considerable "silt up," chiefly in the southern sector of the shelter. Access fairways have been arranged on similar pattern to those in the Yaumati Shelter.

A more strict control has been exercised over the ash boats operating within the harbour and fair rates for the removal of ashes and refuse from ships in harbour have now been established.

### Pilots

On the 31st March 1949, there were eight licensed pilots available, of whom one had qualified during the year after examination by the Pilotage Examination Board. Six apprentice pilots are also in this service.

### Quarantine Anchorages

All vessels entering the Port of Hongkong are now liable to examination. An additional quarantine anchorage located in Kowloon Bay for the convenience of vessels entering by the eastern entrance was opened during the year. This new anchorage and the quarantine anchorage off Stonecutters Island, provide ample facilities for quarantine examination and prevent unnecessary movement through the harbour by vessels proceeding from quarantine to a berth. Delays in examination have been reduced to a minimum, as Port Health Officers are



available daily between the hours of 7 a.m. and 6 p.m. Hongkong Standard Time.

#### Typhoon Towing Facilities

Two powerful tugs, the "Caroline Moller" and the "Frosty Moller" both owned by Mollers' Ltd., are now based on Hongkong, and are available to assist vessels in port during typhoons. Arrangements have been made for these tugs to receive messages from vessels requiring help through the Marine Department Port Communications.

#### Commercial Mooring Buoys

New 4" moorings proof tested to 284 tons have been completed and laid at Buoys A7 and A8 during the year, and are considered more than adequate for the largest vessels likely to call at this port in the foreseeable future. They are also up to the standard required for typhoon moorings. There are now in service 16 "A" Class type moorings capable of handling vessels up to 600 feet in length with 24 "B" Class type moorings for vessels up to 450 feet. Five additional "B" Class type moorings remain to be put down for which equipment has now been shipped from the United Kingdom and these will be put into commission shortly after delivery. The old "C" Class type mooring, of which only one remains, is shortly to be abandoned. Marine Department buoys were occupied during the year as follows:—"A" Class—3,547 days; "B" Class—3,372 days. Buoy hire fees remain unchanged at \$24 per day or part thereof for the "A" Class buoy, and \$18 for the "B" Class buoy.

#### Private Moorings

The number of private moorings registered on 31st March, 1949, was 38, of which 14 were laid during the period under review. All moorings were approved and laid under the supervision of Officers of this Department.

#### Berthage at Wharves

There are at present 10 alongside berths for large ocean-going vessels for the loading and discharging of cargo and the embarkation and disembarkation of passengers. Eight berths are controlled by the Hongkong & Kowloon Wharf & Godown Company and two by the Blue Funnel Line. This number will be increased to 12 when the Godown Company's No. 4 wharf is completed next year. All these berths are on the mainland and vessels drawing up to 32 feet can be accommodated.

On the Island there is also approximately 2,000 feet of quayside at North Point, of which about 800 feet can be used by vessels drawing up to 29 feet. No covered storage is yet available in this area, however, but is in project. During the period under review a total of 526 vessels berthed at the wharves on the mainland.

#### Godowns

Covered storage space in the port now exceeds 900,000 tons measurement, but the year's working has shown this to be recurrently inadequate, a condition particularly true of the storage of dangerous goods.

#### Explosives Depot

The number of cases of explosives in storage on 31st March was 6,397 as against 7,154 at the end of the previous period. The revenue for storage amounted to \$39,920 in comparison with \$68,248 for 1947/48.

#### Bunkers and Fresh Water

Adequate supplies of fuel oil, diesel oil and coal were maintained and the quantities supplied during the year were 194,834 tons of oil and 115,964 tons of coal. Fresh water was available in the quantities required throughout the year.

#### Dockyard and Repair Undertakings

The ship building, ship repair and marine engineering establishments in the Colony have now been extensively re-equipped and modernised and are well able to undertake major overhauls and repairs of all types, including the dry docking of vessels up to 750 feet in length, 88 feet in beam, with a maximum draught not exceeding 33 feet. Difficulties of securing adequate supplies of steel have handicapped the building yards in new construction, but there are indications that more material may become available in the course of the next year. One new luxury type motor river vessel is now under construction and is likely to be launched

next year. It is expected that construction may commence on a number of passenger and cargo vessels for Far Eastern employment.

Despite this absence of major new building, however, all repair establishments have worked to capacity throughout the year. Altogether there are seven graving docks and six patent slipways capable of handling vessels of 300 feet in length and upwards, and a large number of slipways for handling the smaller type of vessel.

A noteworthy performance during the year was the dry docking of the Peninsular & Oriental Steam Navigation Company's S.S. "Canton," the effecting of certain essential repairs and the returning of the vessel to her loading berth to sail on schedule five days after her arrival, a period which included the time spent in discharging and loading a considerable quantity of cargo, a feat which reflects the greatest credit on the organisations concerned.

#### Sunday Cargo Working Permits

A permit, for which a fee is payable, is required in order to work cargo on Sundays. Cargo does not, however, include ships' stores, bunkers, personal luggage, prohibited goods and livestock. The scale of fees remains unchanged and varies according to the period of the night worked as shown below:—

Registered Tonnage:—		A Midnight to 6 a.m.	B 6 a.m. to 6 p.m.	C 6 p.m. to midnight
400 or under	.. .. .	\$ 28.13	\$ 56.25	\$ 28.13
Exceeding 500 but not exceeding 700	.. .. .	37.50	75.00	37.50
" 700	" .. .. .	46.88	93.75	46.88
" 1,000	" .. .. .	56.25	112.50	56.25
" 1,500	" .. .. .	65.63	131.25	65.63
" 2,000	" .. .. .	75.00	150.00	75.00
" 3,000	" .. .. .	93.75	187.50	93.75
" 4,000	" .. .. .	112.50	225.00	112.50
" 5,000	" .. .. .	131.25	262.50	131.25

2,663 permits were issued during the year, of which 1,887 were used and the balance returned for cancellation.

#### Local Ferry Services

The approximate number of passengers carried by the combined ferry services of the Colony stands at the imposing figure of 64,500,000 while the number of vehicles transported across the harbour is 426,000.

Two additional ferries have become available for service during the year, making 30 vessels in all at 31st March.

Particulars are given below showing the average number of daily trips performed in each direction on each service:—

	trips daily
Hongkong—Tsim Sha Tsui	150
" —Shamshuipo	72
" —Mongkok	73
" —Jordan Road	
Passenger )	
Vehicular )	76
" —Tai O via Castle Peak	1
" —Deep Bay	2
" —Cheung Chau	6
Taipo —Sha U Chung	2

The provision of one additional reconditioned vehicular ferry has succeeded largely in eliminating vehicle congestion, although at times the service is still insufficient. Serious congestion still occurs during the rush hours on the short route Tsim Sha Tsui to Hongkong, where the service is taxed to capacity. Additional ferries are now under design and in the course of next year it may be possible to look for a substantial improvement in the transport facilities on these congested routes.

#### Wreck Removal

Although very substantial progress has been made in clearing the Port of Hongkong, five major wrecks in various stages of dispersion still remain, and with the considerable fall in the price of scrap metal, salvage contractors are not showing the same enthusiasm for this work. It is hoped that by next year the port will be entirely clear.



#### Mercantile Marine Office

During the year 17,866 seamen were engaged and 17,104 discharged under the supervision of the Mercantile Marine Office. A total of 120 distressed British seamen were received, maintained and provided with passages to their various destinations. The sum of \$8,844 was expended on behalf of the Ministry of Transport for their relief. Compensation for war damage to personal effects amounting to \$75,342 was paid under instruction from the Ministry of Transport. Hongkong Seamen's discharge books were issued to 3,194 Chinese seamen signing off from British ships in Hongkong.

#### Mercantile Marine Assistance Fund

The Committee appointed to administer this Fund met on four occasions during the twelve months ending 31st March, 1949, and disbursed \$10,970 in relief. On the above date there were 8 aged seamen and 4 seamen's widows in receipt of aid from the resources of the Fund.

#### Registry

Arrears of work in the registry records occasioned by the war and the occupation of the Colony are being steadily over-taken and by the middle of 1949 these have been completely cleared. 232 vessels were registered in Hongkong under the provisions of the Merchant Shipping Acts, and 31 registers were closed in this period. Fees collected amounted to \$12,433 in comparison with \$5,226 during the 1947/48 period.

#### Chinese Seamen's Compensation

The work first undertaken in 1946 of investigating and paying claims for compensation under the Ministry of Pensions Scheme to dependants of Chinese seamen who were killed by enemy action, has continued throughout the year. Owing to the instability of the Chinese currency, many applicants from distant parts of China have come to Hongkong to lodge their claims. Thus, not only have a large number of additional claims fallen to be dealt with, but the work involved in examining individual claims has increased, since confirmation of identity in these cases is frequently a most difficult matter.

Claims investigated and paid during the period of the financial year 1.4.48 to 31.3.49—\$1,126,749.

#### Marine Licensing Office

The past year has shown a slight increase in the junk trade in spite of the restriction and heavy duties placed on the import and export trade of China. The Smuggling into China (Control) Ordinance 1948 came into operation on the 22nd October, 1948, and to implement this Ordinance a Marine Licensing Station was opened at Tai Po Kau on the 1st August, 1948, and all vessels entering and clearing from the Port of Tai Po must now report to this office.

Junk and Boat Licences, Classes I to VI issued during the year totalled 17,181 and of this number 132 were granted to mechanically propelled ves-

sels. An interesting feature is the mechanisation of the local fishing fleet and there are now 18 mechanically propelled fishing junks with several more in the process of conversion.

278 launches and motor boats were licensed for commercial purposes and of this number 175 were licensed in Class I (Harbour limits), 52 for Class II (partially sheltered waters, specified areas), 25 in Class III (Waters of the Colony) and 26 in Class IV (River Trade). A large number of craft are also operated by the Services and the Colonial Government.

200 candidates were examined for local Certificates of Competency as Masters, of whom 151 passed, and 345 candidates were examined for local Certificates of Competency as Engineers, of whom 282 passed.

Next year a new building is to be erected at Cheung Chau Island and the Marine Licensing Station re-established there. New buildings for use as Marine Licensing Stations with suitable accommodation for staff will also be built on the water fronts at Aberdeen and Yaumati.

The fees collected amounted to \$410,075 as compared with \$466,970 during the period 1947/48.

#### Ship Surveys

In spite of the unsettled conditions generally in the Far East, immigration quota, and the rapid development of international air services, the number of vessels surveyed for Passenger and Safety Certificates shows no decline. Vessels engaged in the unberthed passenger trade are not now in general measured and equipped for passengers in all possible compartments. It is, however, noteworthy that with fewer compartments measured, as compared with the ship-owners' pre-war requirements, the standard of accommodation provided is higher and much greater attention is paid to ventilation, lighting and other essential amenities. In particular, considerable alterations have been carried out to increase the storage capacity of fresh water in many vessels.

In most cases, ships of the former coastal type are plying further afield, but even so, advantage is being taken of the regulations which permit larger numbers to be carried on International Coasting Voyages. It is now quite normal practice for a ship-owner to take out for one ship, two classes of certificates, namely, an International Coasting and a Short International Passenger and Safety Certificate. A present tendency is to build and equip passenger ships to a standard higher than their normal trade requirements in order to be able to divert a vessel, should the necessity arise, to voyage requiring these higher standards of safety.

The building in Europe in considerable numbers of new passenger and cargo ships for the unberthed trades in the Far East is proceeding. Two such vessels have been presented in Hongkong for survey during the year and no less than twelve additional ships are expected in the ensuing year.

These vessels have in most cases been built to designs approved by "Ship Surveys" and the examination of the large numbers of plans for this purpose has been an important feature of the work during the year. Various new Chinese shipping companies in Shanghai have submitted plans of their existing vessels for examination, with the intention of reconstructing and converting to the Simla Rule requirements for the unberthed passenger trades.

The international character of the survey work is illustrated by the following table which gives the numbers and tonnage of ships surveyed in Hongkong for Passenger and Safety Certificates.

		tons gross
British	45 vessels of	135,678
Chinese	8 "	13,545
Norwegian	16 "	43,784
Dutch	10 "	113,515
Danish	1 "	3,284
80 vessels of		309,806

The various classes of certificates granted and numbers of passenger permitted in each class are indicated below:—

P. & S.	No. issued	Berthed Passengers	Unberthed Passengers
Full Convention	13	3,308	219
Eastern Trade	1	38	864
Short	31	1,844	22,375
Coasting	20	672	11,206
River Trade	15	3,465	4,747
Total	80	9,327	39,411

For River Trade passenger services, five new ships have been surveyed and altered to bring them into line with the Hongkong regulations. These include four vessels built in Canada with aluminium superstructures, intended originally to operate on the Yangtze River, and the other a converted war built corvette.

Of outstanding interest in local harbour craft has been the salvage and reconditioning surveys on vehicular and other ferries. Many have had their propulsion units replaced by compression ignition engines and the remaining steam vessels have been converted to burn oil fuel. These have been major contracts, involving heavy structural changes and in some cases almost complete rebuilding. There have been large numbers of new launches built during the year to the approval of this office. Without exception these are propelled by internal combustion engines and it is considered that in the near future there will be no steam driven general service harbour launches remaining.

#### Surveys for Load Line Certificates

Under this heading first assignments were made to 11 vessels totalling 11,604 gross tons. Several of these were of special types, war time built ships, and their adaption to peace time use and the assignment of freeboards under the terms of the International Convention Respecting Load Lines, 1930, presented many difficulties. The question of safe trading limits was involved. A conference was held with the local



representatives of the Classification Societies and some adjustment of the law may be required in the future to permit these ships to trade on short voyages beyond River Trade Limits.

#### Bottom Certificates

Surveys were carried out in drydock on 11 vessels totalling 87,994 gross tons for the issue of certificates. This service is of great importance to ship-owners, more especially in cases where partial surveys are made in various ports.

#### Tonnage Measurements

These are made in respect of British, Suez Canal and Panama Canal tonnages. During the year the Suez Canal Authorities made certain concessions, permitting additional deductions, and remeasurements in respect of Suez Canal Tonnage were made in three cases. Unsettled conditions in the Far East have been responsible for many applications for measurement for British Tonnage for the purposes of British Registry. A considerable number of remeasurements have also been required where vessels have been altered during reconditioning in Hongkong.

#### New Construction

The continued shortage of steel accounts for the fact that relatively little new construction has been under taken in the Colony's shipyards, except for small harbour craft. Nevertheless, a large ocean-going salvage tug and one new river passenger ship are being built under Government survey. Preliminary work has also been done on the designs and detail plans for a large passenger ship expected to be built in the Colony.

#### Survey for Permission to carry

##### Dangerous Goods

A notable number of these surveys have been carried out because of changed trading conditions, which have produced, in particular, a considerable movement in case oils. In nearly every ship examined, recommendations have been put into effect to minimise the dangers of fire and explosion on board when engaged in these dangerous trades.

#### Partial Survey

The post-war trend of Hongkong ships to move further afield in their trading and factors in maintenance have rendered it convenient for owners to have part of the machinery and equipment survey done elsewhere than in Hongkong. It has been found necessary to take account of the changed conditions and in certain cases schemes have been devised whereby work done in other ports is accepted. In similar manner partial surveys have been conducted in Hongkong on behalf of other administrations. It appears likely that there will be considerable extension of this practice.

#### Examinations for Certificates of Competency

These have been conducted regularly for candidates for Colonial Certificates of Competency as Masters, Mates and Engineers. For the Engineer a scheme has been arranged whereby the questions set in Hongkong are identical

to those set by the Ministry of Transport in the United Kingdom. The examination papers in each case are despatched to the Ministry for marking. The scheme has worked extremely well and it assures that Certificates gained in Hongkong have an equal validity with those issued in the United Kingdom, which has been the practice previously for Masters and Mates. The number of examinees is increasing, and it is hoped that this will help to reduce the very acute shortage of deck and engineer officers which persists, and render unnecessary a scheme whereby, as an alternative to laying up ships, unqualified or insufficiently qualified men have had to be permitted to act in posts which by law are required to be filled by fully qualified personnel. Unfortunately, the shortage of these classes of personnel is general throughout the Commonwealth and world.

#### Foreign Ships

The year has seen the arrival in Hongkong of the ships of some countries whose flags have never previously been represented. Vessels of Burmese, Korean, and Egyptian registry, have operated through the port as well as ships under the flags of nearly every other maritime nation in the world. Some effort has been made by Surveyors to ensure that the obligations imposed by the International Conventions have been carried out, in that ships should be supplied, after proper survey, with valid Load Line and Safety Radiotelegraphy Certificates and be provided with adequate life saving equipment. These are minimum requirements, but lack of staff has prevented this effort to enforce these standards from being as effective as it ought.

#### Marine Department Slipway

The total number of vessels operated by Government is now 148. The percentage of vessels under overhaul or repair at any one time averaged seven. Additional craft taken over during the year were five new sanitary barges, each of 170 tons capacity, a grab dredger and a hopper barge for the Port Works Office, and two 60 foot Air Sea Rescue launches and one fast seaplane tender purchased in the United Kingdom and put into service for the Marine Police. A 45 foot launch was adapted and fitted out as a Radio Direction Finding Calibration vessel. Due to more effective supervision it has been possible to effect material economies in fuel and lubricating oil in the past 12 months, and consumption figures over this period show a considerable reduction.

The slipway was occupied for 288 days and was used on 75 occasions.

Machinery, including welding apparatus, has now been installed and the workshops are equipped to take care of an increasing amount of repair and overhaul work. One government vessel was lost and 27 damaged during the typhoon of July, 1948.

#### Marine Magistrates' Court

528 cases were heard in the Marine Magistrates' Court during this year.

Principal offences were:—(a) Failing to take out or renew licences (b) Lying inshore during prohibited hours (c) Failing to exhibit regulation lights (d) Failing to carry fire fighting and life saving appliances as prescribed by the licence. Fines amounting to \$45,254 were imposed and \$755 in forfeitures.

#### Comparative Shipping figures

Ocean-going tonnage of over 60 tons net increased by about 11% with arrivals amounting to 3,032 vessels aggregating 8,161,108 tons (of which 1,164 of 2,924,835 tons were British). In comparison with the pre-war year of 1938 this gives a total ocean aggregate percentage of 74% in tonnage and 85% in numbers of vessels.

River steamers entering the port totalled 3,670 vessels aggregating 1,552,333 tons net, an increase of approximately 50% in tonnage in comparison with 1947/48. Foreign-going junks entering during the period totalled 12,464 aggregating 1,364,319 tons, a tonnage increase of approximately 10% on the 1947/48 figures.

#### Port Administration

The Port Committee and the Port Executive Committee have continued to function well and Government has benefited from the advice tendered by the first body, while the latter has assisted in elucidating many of the problems which arise in the day to day operation of so busy and important a harbour. Revised and widened terms of reference for the Port Welfare Committee received the approval of the Governor and a new Committee has been appointed to carry into effect the wider functions arising thereunder. By the end of the year under review, this Committee was in being and is expected to achieve much during the coming year. Government has made a grant of \$50,000 for the general purposes of the Committee.

#### Total Shipping of all Classes at the Port of Hongkong During Years 1920 to 1947/48 and Year 1.4.48 to 31.3.49.

YEAR	Total Tonnage All Classes	Total Tonnage Ocean Going	Total Tonnage Ocean British
1920	40,122,527	17,574,636	8,351,084
1921	43,420,970	20,064,611	9,247,198
1922	46,566,764	21,971,162	9,688,891
1923	53,402,239	25,894,058	11,222,141
1924	56,731,077	27,874,830	11,844,752
1925	49,520,523	23,653,774	9,866,820
1926	43,796,436	21,314,696	9,257,417
1927	44,127,161	25,700,164	9,660,440
1928	44,883,765	26,894,395	10,792,701
1929	47,186,181	28,285,741	11,151,152
1930	42,190,621	29,350,807	11,357,605
1931	44,150,021	29,446,145	11,540,844
1932	43,824,906	29,269,073	12,201,690
1933	43,043,381	29,368,877	12,014,232
1934	41,914,022	28,905,526	12,035,087
1935	43,473,979	30,706,571	12,510,998
1936	41,731,016	29,969,666	11,943,751
1937	37,830,760	27,630,397	11,709,589
1938	30,962,756	22,184,732	11,397,133
1939	30,897,948	22,148,228	10,145,162
1946/47	13,869,490	10,067,078	5,398,611
1947/48	19,969,552	14,764,947	6,050,333
1948/49	23,040,126	16,335,973	5,828,496



## Hongkong Shipping Report for September 1949

Ocean Steamers							
Arrivals				Departures			
Flag	Ocean Steamers			Ocean Steamers			Passen- gers
	No.	Tonnage	Cargo	No.	Tonnage	Cargo	
British ....	116	362,855	140,082	18,321	120	384,006	54,333
American . .	34	180,347	21,071	1,849	35	183,282	16,131
Chinese ...	90	103,036	23,543	4,606	94	113,640	34,820
Danish ....	16	58,001	12,829	25	15	51,918	5,863
Dutch ....	18	78,243	20,331	1,470	17	74,282	7,080
French ....	1	10,424	115	249	3	13,731	251
Norwegian .	42	93,939	26,239	6,104	38	86,914	13,146
Panamanian	15	34,154	28,810	10	14	35,622	14,565
Philippine .	9	18,649	2,406	219	10	210,146	6,330
Portuguese .	4	10,976	114	86	4	5,894	563
Swedish ...	7	15,006	2,231	1	7	15,006	4,760
U.S.S.R. ...	3	4,414	6,289	—	4	6,537	855
Total Foreign	239	607,189	143,978	14,619	241	269,970	104,364
Total ...	355	970,044	284,060	32,940	361	1,180,976	158,697

compared with the August figures of 159,917 t. and 165,625 t., or increases of 27.56% and 23.66% respectively. Ocean passenger traffic showed the same increase as ocean cargo, namely, 2.30% for inward passengers, (32,940 against 32,198 in August), and 37.14% for those leaving the Colony (30,230 against 22,043); river traffic increased 12.05% for passengers inward (53,236 against 47,507) and 12.75% for those leaving the Colony (66,704 against 59,156,—passengers by river steamers came and went daily between Hongkong and Canton as long as communications were possible.

Commercial cargo: 284,060 t. discharged from ocean vessels in Sept. compared with 291,175 in August, a decrease of 2.44%; cargo despatched from the Colony abroad amounted to 158,697 t. against 129,424 t., an increase of 22.62%; cargo discharged from river vessels totalled 9171 t. against 9948 t. in August a drop of 7.81%, but cargo loaded came to 18,082 t. compared with 13,919 t. a gain of 29.91%.

Comparing the monthly averages for commercial cargo for the nine months of 1949 with the full years 1947 and 1948 the increases, except in the case of river cargo inward which showed a fall, are very striking: the monthly average for Jan./Sept. 1949 of ocean cargo unloaded was 260,479 t. against 193,416 t. for 1948 and 187,522 t. for 1947 an increase of 34.67% and 38.9% respectively; for cargo despatched abroad the figures were 133,373 t., 87,849 t. and 71,047 t., an increase of 51.82% and 87.72%; river cargo inward totalled 9,144 t., 9,942 t. and 7,483 t., so that 1949 (9 months) although below 1948 by 8.03% was above 1947 by 22.19%, outward cargo amounted to 10,894 t. as against 7456 t. and 7369 t. an increase of 46.11% and 47.83% against 1948 and 1947 respectively. On the grand total of commercial cargo which amounted to 413,890 tons for Jan./Sept. 1949 as compared with 297,763 t. for 1948 and 273,451 t. for 1947 the gains were 39% and 51.35% respectively.

Of the 355 vessels of 970,044 tons which entered Hongkong from abroad, 116 were British of a tonnage of 362,855 carrying 140,082 tons of cargo and 18,321 passengers and 90 were Chinese of a tonnage of 103,036 carrying 23,543 tons of cargo and 4,606 passengers, whereas vessels under other flags totalled 149 of a tonnage of 504,153 and carrying 120,435 tons of cargo and 10,013 passengers.

Of the 396 river steamers of 203,993 t. entering the port 180 were British of 108,086 tons carrying 6026 t. of cargo and 33,790 passengers.

Junks also conduct a considerable amount of foreign trade: during September 944 entered the port from abroad of a registered tonnage of 116,783 and carrying 27,554 t. of cargo and 3921 passengers.

## River Steamers

River Steamers							
Arrivals				Departures			
Flag	River Steamers			River Steamers			Passen- gers
	No.	Tonnage	Cargo	No.	Tonnage	Cargo	
British ....	180	108,086	6,026	33,790	180	108,146	9,050
Chinese ...	203	92,822	2,484	19,437	203	93,297	8,075
Portuguese .	13	3,085	611	9	14	3,382	957
Total Foreign	216	95,970	3,145	19,446	217	96,679	9,032
Total ....	396	203,993	9,171	53,236	397	204,825	18,082

## HONGKONG JUNKS &amp; LAUNCHES IN SEPTEMBER

Foreign Trade conducted by Junks & Launches of 60 registered tons & under

## JUNKS

Number of Vessels		Reg. Tonnage		Dead Weight Tonnage		Number of Passengers	
Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
944	919	116,783	108,086	27,554	15,145	3,921	4,030
LAUNCHES							
180	158	4,782	3,949	98½	—	—	—

Local Trade conducted by Junks and Launches of 60 tons and under

## JUNKS

Number of Vessels		Reg. Tonnage		Dead Weight Tonnage		Number of Passengers	
Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
661	707	24,235	28,350	7,728	7,408	—	—
LAUNCHES							
164	169	8,269	8,518	109½	122½	13,874	11,841

The Hongkong Shipping Returns for September show considerable increases for the month as compared with August: ocean steamship tonnage entering the port (970,044) being 5.12% more than the previous month (922,-

750) and outward tonnage amounting to 1,180,976 as against the August total of 890,208 or 32.66% higher; river tonnage in and out also showed an improvement, inward amounting to 203,993 t. and outward to 204,825 t. as



## Hongkong Shipping Returns

For the first Nine months of 1949.

	Ocean Steamers Tonnage		River Steamers Tonnage		Ocean Passengers		River Passengers	
	In	Out	In	Out	In	Out	In	Out
Monthly Averages 1948 .....	659,582	651,394	122,834	123,338	23,583	19,547	37,529	39,769
" " 1949 (9 months) ..	837,423	950,685	153,346	160,107	25,773	25,027	42,224	55,675
January .....	722,280	715,484	141,769	137,319	21,672	15,202	41,523	54,792
February .....	650,886	727,381	116,360	177,936	19,352	13,168	42,989	51,170
March .....	750,855	780,820	125,758	124,713	25,632	15,342	48,647	59,529
April .....	831,249	795,713	173,089	177,153	24,015	19,041	46,260	55,152
May .....	928,084	852,178	138,907	134,111	33,638	21,046	53,373	48,078
June .....	835,194	835,626	163,664	165,217	24,274	18,007	46,630	52,986
July .....	925,466	877,785	156,655	154,071	18,233	71,168	42,075	53,511
August .....	922,750	890,208	159,917	165,625	32,198	22,043	47,507	59,156
September .....	970,044	1,180,976	203,993	204,825	32,940	30,230	53,236	66,704
1949—Nine months:— .....	7,536,808	7,656,170	1,380,112	1,440,970	231,954	225,247	442,240	501,078

Total ocean steamer tonnage for the nine months of 1949: 15,192,978, total river tonnage: 2,821,082, grand total: 18,014,060.

Total ocean passengers: 457,201; total river passengers: 923,318, grand total 1,380,519.

## HONGKONG COMMERCIAL CARGO

for the first Nine months of 1949

1949	Ocean Vessels		River Vessels	
	Discharged	Loaded	Discharged	Loaded
January .. .. .	255,158	107,932	12,445	8,507
February .. .. .	179,805	76,461	7,059	7,183
March .. .. .	241,212	104,913	7,785	14,754
April .. .. .	243,243	110,306	6,747	5,182
May .. .. .	340,280	133,832	10,874	7,052
June .. .. .	225,855	138,107	9,934	10,911
July .. .. .	283,526	140,685	8,338	12,463
August .. .. .	291,175	129,424	9,948	13,919
September .. .. .	284,060	158,697	9,171	18,082
First eight months 1949 .. .. .	2,344,315	1,200,357	82,301	98,503

Total ocean cargo for the nine months of 1949: 3,544,671 tons; total river cargo: 180,354, grand total: 3,725,025 tons.

Monthly averages for 1947, 1948 and 1949 (Jan./Sept.):

		1947	1948	1949
				Jan./Sept.
Ocean cargo	in	187,522	193,416	260,479
" "	out	71,047	87,849	133,373
River cargo,	in	7,483	9,942	9,144
" "	out	7,369	7,456	10,894
Grand total	....	273,451	297,763	413,890

## Hongkong Aviation Reports

### September Air Traffic

During September, which as pointed out above was not one of the peak months, the number of passengers entering the Colony was 14,898 (9142 from Canton and 3639 from other parts of China) and those leaving numbered 15,584 (Canton 8533 and China 3362), mail in amounted to 12,843 kilos and out to 16,455 kilos, while inward freight totalled 107,010 kilos and outward 386,052 kilos; the number of aircraft entering was 1348 and leaving 1348.

Total traffic during the month came to 2686 aircraft, 30,482 passengers, 29,298 kilogr. of mail, and 493,062 kilogr. of freight.

As regards passenger traffic, CATC came first with 6086 arrivals and 5219 departures, followed by CNAC with 4327 and 4994 respectively, and Hongkong Airways third with 2069 and 1666. For the transport of freight CNAC was first with 37,690 kilos arriving and 301,888 kilos leaving, CATC second with 14,045 and 34,981 kilos, BOAC third with 15,702 and 15,494 kilos and PAA fourth with 17,405 and 6280 kilos. In carrying mails BOAC took first place with 8048 kilos in and 7064 kilos out, PAL came second with 433 kilos and 1773 kilos, Air France third with 305 and 1073 kilos, and Cathay Pacific Airways fourth with 123 and 1131 kilos.

### New Air Routes

New air routes to and from the Orient, based upon Hongkong, are continually being opened, so that the intending traveller has a choice of routes which would be hard to equal either in interest or variety.

The CNAC now has a direct route to Pakistan from Hongkong, connecting at Karachi with European services. The planes leave for Karachi every Saturday and go straight through without overnight stops in India. The new service is intended especially to cater for businessmen with connections in Pakistan.

On November 2 the Scandinavian Air Lines System (SAS) will inaugurate a new express service between Europe and the Far East. The planes used will be Douglas DC-6, fitted with pressurized cabins and sleepers. The fares from Hongkong will be: to Calcutta £60, Karachi £84, Rome £158, Zurich or Geneva £168, Vienna £175.10/-, London £175, Prague £178.7/-, Copenhagen £189.14/-, Oslo £193.9/-, Stockholm £196.9/-. SAS is an airline combine of the three Scandinavian countries, Denmark, Norway and Sweden.

The Canadian Pacific "Empresses" have now returned to the Far East in the form of four 4-engined Canadian flying-boats, the Empress of Hongkong, the Empress of Vancouver, the Empress of Auckland and the Empress of Sydney. Under the management of the Canadian Pacific Air Lines (CPAL), a weekly service will be conducted between Vancouver and Hongkong, leaving the latter for the return journey on Thursdays. The Northern route will be followed with stops at Anchorage (Alaska), Shemya in the Aleutians, and Tokyo on the way out; the trip will take only 33½ hours flying time. The planes are pres-



## Hongkong Air Transport for September, 1949.

## DEPARTURES

	Passengers	Mail Kilos.	Freight Kilos.
United Kingdom .....	159	6,801	3,981
Europe .....	118	58	595
Middle East .....	131	125	202
Calcutta .....	87	15	3,183
Rangoon .....	110	8	9,792
Singapore .....	112	1,157	5,771
Bangkok .....	443	230	8,051
French Indochina .....	374	311	703
Macao .....	97	—	46
Philippines .....	916	622	4,548
Japan .....	271	876	3,577
U. S. A. ....	564	1,277	5,220
Australia .....	76	268	271
Shanghai .....	—	—	—
Canton (direct) .....	8,533	3,727	79,872
China excluding direct service to Canton .....	3,362	926	259,777
Honolulu .....	231	54	463
Total: .....	15,584	16,455	386,052

Total of Aircraft: 1,348.

## ARRIVALS

	Passengers	Mail Kilos.	Freight Kilos.
United Kingdom .....	71	5,866	5,565
Europe .....	83	259	6,115
Middle East .....	5	67	—
Calcutta .....	90	208	9,480
Rangoon .....	40	25	38
Singapore .....	119	1,919	6,106
Bangkok .....	406	152	4,325
French Indochina .....	423	328	1,610
Macao .....	117	—	—
Philippines .....	455	473	10,682
Japan .....	215	718	7,308
U. S. A. ....	60	761	12,347
Australia .....	16	61	244
Shanghai .....	—	—	—
Canton (direct) .....	9,142	128	14,478
China excluding direct service to Canton .....	3,639	1,703	28,610
Honolulu .....	17	184	122
Total: .....	14,898	12,843	107,010

Total of Aircraft: 1,348.

## Hongkong Airport: Traffic of Regular Air Carriers

September 1949

## Arrivals

## Departures

	No. of A/C	Passengers	Mail Kilos.	Freight Kilos.	No. of A/C	Passengers	Mail Kilos.	Freight Kilos.
B.O.A.C. ..	21	281	8,048	15,702	24	378	7,064	15,494
H.K. Airways ..	128	2,069	528	85	128	1,666	3,647	6,098
C.N.A.C. ..	461	4,327	1,435	37,690	459	4,994	417	301,888
C.A.T.C. ..	434	6,086	483	14,045	438	5,219	818	34,981
P.A.A. ....	47	516	871	17,405	47	811	9	6,280
Cathay Pacific Airways ..	18	161	123	3,024	19	156	1,131	9,137
P.A.L. ....	19	125	433	5,809	19	775	1,773	3,820
T.A.A. ....	11	95	NIL	2,994	10	145	NIL	1,211
P.O.A.S. ....	10	135	142	1,361	9	187	81	4,684
S.A.F.E. ....	5	23	258	4,314	6	163	NIL	393
Air France ..	13	378	305	2,750	13	381	1,073	618
M.A.T.CO. ....	15	117	NIL	NIL	15	110	NIL	234
Quantas ..	4	48	158	1,371	3	77	222	271
S.A.C. ....	4	37	26	44	4	56	NIL	914
Canadian Pacific Airlines ..	3	9	33	70	4	91	171	6
Totals ..	1,193	14,497	12,843	106,664	1,198	15,209	16,406	386,029

surized for comfort and will fly at a high altitude above bad weather; full-length reclining chairs are provided for 36 passengers.

## Operation Exodus

In times of crisis and anxiety such as the present, the existence of an efficient aviation service based upon Hongkong has many times proved of inestimable benefit to China. Apart from providing a quick and easy means of transportation for government staffs removing from a threatened centre or for commercial interests transferring to a more peaceful part of the country, planes have also been chartered to bring important commodities such as

vegetable oils and ores from the producing areas far inland to Hongkong, from whence distribution abroad has been effected with a minimum of dislocation to the trade concerned.

The conditions existing in China at any time are well reflected in the local aviation figures. The take-over of Shanghai, for example, took place at the end of May and the anxiety of the populace is shown by the large number of passengers who used the air service in order to get away at the last moment not only from Shanghai but also from cities in Central China, to find a haven in Hongkong. The figures as might be expected showed a record number of 21,380 passengers

entering Kai Tak in May (as against the previous highest figure of 13,996 for April), 18,000 of whom came from China. In August, with the advance of the People's army upon Changsha, coupled with the floods in China, the figures reached a new high of 21,796 passengers entering the Colony,—19,400 being from Canton and China. The September figures show the usual fall in passenger traffic between crises, but already in October with the abandonment by the Nationalist Government of Canton there has been a marked increase in the use of aviation: for the week just past Kai Tak airfield has shown considerable activity, almost amounting to confusion at times.



## Hongkong Aviation Returns

For the first nine months of 1949

	CIVIL AIRCRAFT		PASSENGERS		MAIL (kilograms)		FREIGHT (kilograms)	
	arrivals	departures	in	out	in	out	in	out
Monthly Averages for 1948 .....	595.33	—	9,591.75	9,381.66	13,726¼	13,649¼	42,920.08	100,985.58
1949								
January .....	805	799	9,940	11,913	17,315	14,713	41,947	90,791
February .....	745	741	10,651	10,146	13,750	12,906	43,749	83,829
March .....	833	836	8,998	11,023	16,490	15,258	46,144	123,988
April .....	979	967	13,996	14,031	14,031	14,797	68,592	153,036
May .....	1,476	1,457	21,380	19,193	13,062	13,734	53,123	157,403
June .....	1,463	1,467	17,062	18,630	15,028	12,536	593,728	227,833
July .....	1,456	1,440	16,412	17,365	13,311	13,259	397,758	407,866
August .....	1,597	1,591	21,796	19,225	12,704	18,110	292,991	611,667
September .....	1,348	1,348	14,898	15,584	12,843	16,455	107,010	386,052
First nine months 1949 .....	10,702	10,646	135,133	137,110	128,656	131,768	1,645,042	2,242,465

Total aircraft for first nine months in and out 21,348; total passengers 272,243; total mail 260,424 kilograms; total freight 3,887,507 kilograms.

with planes arriving loaded to capacity and clearing off as rapidly as possible to fetch more passengers and luggage. Between 50 and 60 planes a day have been taking off for Canton and other inland cities; among these were 25 CATC, 12 CNAC, 6 Hongkong Airways and 15 Civil Air Transport, and as long as the White Cloud airfield at Canton remained open the shuttle services continued. A curious and somewhat anomalous feature of the situation was that almost as many people returned each day to Canton as had left the previous afternoon; this was explained by the speed of air transport, which made it possible for businessmen, as well as some consular officials, to work in Canton up to the last moment. The last plane left Canton airfield on October 15.

## SAFE scheduled flights to Hongkong

The privately owned Norwegian airline SAFE (Braathen's South America and Far East Airways) inaugurated on August 5 its long-planned scheduled service between Oslo and Hongkong. Previously the company had made only non-scheduled flights on this route.

The concession for this service, requested by SAFE in June 1948 and granted by the Norwegian Ministry of Communications in February 1949, is to run for 5 years from March 1, 1949. SAFE's application for the route created great interest in Norwegian aviation circles in view of the intention of Scandinavian Airlines System (SAS) to operate a Far Eastern service and also in view of the monopoly position of DNL (Norwegian Airlines). DNL is the only Norwegian concessionaire with rights to operate regular flights into and out of Norway. This concession was granted in 1946; it may, however, be modified by the Government under certain circumstances—as it was in this case with SAFE.

The full route authorised by the concession covers Oslo or Stavanger (Sola), Amsterdam, Geneva, Rome, Cairo (alternating with Lydda), Basra, Bangkok and Hongkong. Negotiations are under way for bilateral air agreements between Norway and certain of the countries to be transited on the route.

At the time the concession was granted it was announced by the company that the regular service to the Far East will take 4 days, and that SAFE will station relief crews in the Middle East in order to speed up the service; further, that the planes will carry mail in addition to passengers and freight.

## Economic Reports from Burma

## General Conditions

There was no improvement in economic conditions in Burma in recent months. The teak and minerals industries remained paralyzed by the civil war, and fighting spread to the oil fields. The only bright spot in the picture was the maintenance of rice exports at 1948 levels.

Rice loaded and shipped in July totaled 100,212 long tons of grain and 1,719 tons of bran. Approximately 60 percent of the rice was shipped from Rangoon and the remainder from Bassein as the Government continued its efforts to gather in the paddy stocks immobilized in the lower Irrawaddy Delta area by the insurrection. The State Agricultural Marketing Board has arranged shipping for 75,000 tons in August and 70,000 tons in September. Shipments after October 1 will depend on the Government's ability to release paddy stocks immobilized by the insurgents in the Henzada-Prome area. Owing to the disturbed conditions the Government has been unable to make any predictions as to the acreage planted for the 1949-50 rice crop, but it is generally believed that it will be below that planted last year.

PVO (People's Volunteer Organization) and Communist insurgents, who had been driven out of the Chauk-Yen-angyaung oil fields by Government troops in June, counterattacked in July. In view of the resultant unsafe conditions, the Government advised the Burma Oil Co. to evacuate its European

staff from Yenangyaung to Chauk; which it did on July 13.

The Trade Union Congress of Burma (TUCB) criticized the Burma Oil Co. for evacuating the Yenangyaung field "despite the presence of Government troops," and for the consequent lay-off of 2,000 workers. A Government commission sent to the oil fields to investigate labor conditions, as well as the possibility of Government operation of the field, has returned to Rangoon but has not yet published its findings. Leaders of some of the labor unions composing the TUCB recently have indicated their desire to become affiliated with the WFTU (World Federation of Trade Unions).

Government officials now expect that the budgetary deficit for the fiscal year ending September 30 will be less than that predicted earlier this year, presumably on the basis of the improved rice position. About 70 percent of total revenues now reportedly are derived from profits from sale of rice and 20 percent from customs duties. It is impossible at the present time to collect land revenues, which are normally the second largest source of Government income.

## Foreign-Investment Policy

A detailed policy statement concerning the scope for future investment of foreign capital in Burma and the terms under which foreign capital would be accepted was released by the Government of Burma. This announcement



climaxes a shift in Government policy which first became evident in June when the Prime Minister released a special statement regarding Burma's need for foreign capital and technical assistance to accelerate the country's economic development. At the June session of Parliament the constitutional provision restricting foreign capital to a maximum of 40 percent ownership in private enterprise permitted to exploit Burma's natural resources was amended to permit any degree of foreign ownership with respect to mineral development in the event that private capital satisfying the 60-40 requirement is not available. The latest policy statement designates certain industries as Government enterprise, permits private investment per se or in partnership with Government in certain undertakings, and stipulates conditions of acceptance of foreign capital, in addition to certain provisions of Government assistance and protection.

The following undertakings are reserved for state enterprise: The production of atomic energy and the manufacture of arms and ammunition, including all industries connected solely with military defense. The following industries are ordinarily to be developed as state enterprises but, pending the Government's ability to undertake the desired levels of performance, private enterprise will be permitted to enter this field on its own or in partnership with Government, on terms to be concluded separately for each undertaking: (1) Railway transport, including manufacture of locomotives; (2) operation of inland water transport on routes classified as main water routes, except for country craft and such other craft as may be specifically exempted; (3) generation, transmission, and distribution of electricity for public consumption, whether by hydro or thermal power; (4) commercial radio transmission; (5) manufacture of sulfuric acid; (6) manufacture of iron and steel; (7) mining of coal; (8) manufacture of paper and pulp; (9) manufacture of sugar in factories with an output of over 30 tons a day; (10) extraction and milling of teak, except the milling of teak in mills with a capacity not exceeding 30 round tons a day.

Industries not included in the above listing are to be open for development by private capital. This delineation of private and public enterprise in the Burmese economy thus permits continued private ownership and operation of the mining and petroleum industries, which have been the only important sectors of the economy that have remained free from some degree of nationalization. British investment is most prominent in Burma. Except for the religious missions, the principal United States investment in Burma is the portfolio investment in the Burma

Prospects for an acceleration of production and further recuperation of the economy became brighter because of improvement in the political situation following the agreement reached in early May.

**Cost-of-Living Index:**—Based on free-market prices, the index numbers for June 1949 (with May figures in parentheses) were as follows: Batavia, 1142 (1101); Bandoeng, 932 (1039); Surabaya, 877 (919); Palembang, 1684 (1364); Medan, figures not available (1387); Pontianak 1707 (1739); Bandjarmasin, 1048 (986); Macassar, 1007 (1086).

Restrictions continue on the transportation of consumer items and foodstuffs in most areas of Central and West Java in an effort to prevent hoarding and price rigging. The transport of rice is especially tightly controlled to permit the Food Supplies Board to buy at reasonable prices for later rationed distribution. Dealers, however, reportedly are attempting to withhold stocks to keep prices high. In retaliation, the Food Supplies Board has announced that it will, if necessary, dump imported supplies on the market to force prices down. June retail milled rice prices

Corporation, operators of the Bawdwin installations, which account for most of the country's production of non-ferrous metals.

The terms and conditions under which foreign capital may be accepted in Burma will be as follows:

(1) The foreign enterprise concerned must be self-sufficient as regards foreign exchange required for capital expenditure, and will be permitted to remit funds for the purchase of capital equipment and maintenance supplies and to remit dividends;

(2) The concern will not be allowed to import unskilled labor from foreign countries unless such labor is not available in Burma;

(3) The concern will be exempt from Government expropriation for a period to be determined by discussion in each case. The Government will be prepared to discuss alternative means of security for a period sufficient to permit a reasonable return on capital;

(4) Protection against foreign competition may be given in suitable cases;

(5) Each enterprise must take adequate measures for training a sufficient number of Burmans in both the administrative and technical fields;

(6) Proposals will be welcomed for the association of foreign enterprise in partnership with Government or with indigenous capital in specific industries. Other mutually beneficial proposals will also be entertained. The Government will be prepared to give associated interests special marketing facilities.

In view of the continuation of civil strife in Burma, it would appear that the desired response of foreign investment interests will be delayed at least until such time as the country can return to the huge postwar task of reconstruction and economic development.

## Economic Reports from Indonesia

ranged from 77½ to 85 guilder cents per liter, closing at the latter price. Pepper prices are still rising, hoarders collecting stocks as a hedge against inflation and possible devaluation of currency.

**Agriculture:**—The rice harvest during May and June equaled the 1937 output. Dry rice has been planted, and the outlook is good. May rubber production amounted to 23,557 tons, consisting of 13,913 tons of estate rubber and 9,644 tons of native rubber. Copra production for July is estimated at 29,489 tons as compared with 41,000 tons during June and 40,820 tons during May. The forecast for August is 32,000 tons. Comparative data on copra are as follows (in tens):

	May	June	July	August
Production	40,820	41,000	29,489	32,000
Exports	22,412	34,797	29,754	24,000
Stocks at end of month	53,195	46,748	33,826	—

Palm-oil production during April amounted to 5,900 tons and during May to 5,395 tons, with June estimated at 9,876 tons. Kapok production during April amounted to 471 tons. May output of coffee amounted to 95.3 tons and exports to 230.5 tons; tobacco exports amounted to 849 tons valued at 4,605,348 guilders. Because of the decreased output of African cocoa as the result of a disease among the plantings, large amounts of seed have been imported into Indonesia for the purpose of expanding the cocoa areas.

**Metals and Mineral:**—June output of bauxite amounted to 66,744 metric tons, and exports to 51,600 tons, of which 34,464 tons went to the United States. Tin production during June amounted to 3,563 tons (tin content), exports to 3,088 tons. Daily petroleum production (in barrels) was as follows: January 108,508, February 107,257, March 109,518, April 108,318, May 121,477. May production amounted to 3,765,805 U. S. barrels, and refinery output to 4,033,027 barrels. June coal production amounted to 56,100 tons. Production near Surabaya of copper iodide (jodium) was resumed at a rate of approximately one half ton per month, all for export.

**Finance:**—Republican currency was restored as legal tender in the Djokjakarta area, but Federal currencies continue to be acceptable. No rate was fixed, but open-market quotations ranged from 50 to 1 Federal guilder to 80 to 1 during June and July. Currency in circulation in the Federal areas amounted on January 18, 1949, to 1,620,922,429 guilders, on June 8, to 1,727,322,223 guilders, and on June 29 to 1,746,310,987 guilders. The open-market exchange rate is 16 guilders to U.S.\$1 (legal rate 2.66).

**Foreign Trade:**—Exports during May 1949 amounted to 98,507,000 guilders (US\$37,433,000), and imports to 105,987,000 guilders (US\$40,275,000), resulting in a deficit of 7,480,000 guilders (US\$2,842,000). Total May trade amounted to 204,594,000 guilders (US\$77,708,000). Cumulative totals for January to May 1949 were as fol-

**NOTE:** The Irrawaddy river transport system, Burma's main water artery, was nationalized in June 1948. Teak extraction and shipment to mills has been completely a Government enterprise since April 1949. One-third of Burma's teak processing and exports was nationalized in June 1948. Only two of the five British companies formerly predominating in the teak industry are still in operation.



## Economic Developments in South Korea

### AGRICULTURE

Following considerable legislative and executive maneuvering, the Land Reform Act was promulgated on June 21 but its enforcement is being delayed. The Ministry of Agriculture and Forestry formulated and submitted to the Office of Planning a budget of 1,900 million won to finance enforcement of the Land Reform Act, but it is not known whether it has been passed by the State Council. The authorities concerned announced that the act would be put into force by this autumn but it remains to be seen whether this target date will be met.

The agricultural fund totals 2,500 million won. As of June 30, 250 million won of the fund had been realised. Additional large releases are reported to have been made since that date. According to reports received by the Federation of Financial Association as of July 2, 1,370 million won had been released and 2,300 million won of the fund rediscounted by the Bank of Korea had been released. Release of the agricultural fund is proceeding smoothly.

Exports 536,859,000 guilders (US\$204,006,000), imports 525,911,000 guilders (US\$199,846,000), total trade 1,062,770,000 guilders (US\$403,852,000), and export surplus 10,948,000 guilders (US\$4,160,000).

In order to counteract violations of the customs law, regulations were put into force granting awards up to 1,000 guilders to non-customs personnel, and up to 500 guilders for customs employees, for information leading to the apprehension of violators. Private individuals also may receive up to half the proceeds of confiscated goods and up to half of the fine inflicted for tracing violations. Existing controls on price-controlled merchandise relating to sales, delivery, and transportation have been extended to purchase and receipts for delivery.

**Tin Production and Exports:**—Production of tin in concentrates in Indonesia during the second quarter of 1949 totaled 7,840 long tons, an increase of 889 tons over the preceding quarter. This brought the total output for the first half of the year to 14,791 tons as compared with the 14,025 tons in the first half of 1948.

During the second quarter, the Banka Tin Mining Co., at Banka, and 18 small mines operated by private contractors produced 4,593 tons, operating 10 dredges and working 35 locations. The Billiton Joint Mining Co., operating 22 hydraulic dredges and 14 other dredges, produced 2,469 tons. Production at the Singkep locations accounted for 778 tons.

Virtually all of the Indonesian tin production was exported during the second quarter. The United States purchased 21 percent and the Netherlands took 79 percent.

Transplanting of rice moved slowly early in the season but there has been considerable rainfall since July, and as of July 31, transplanting had been 87.6% completed throughout South Korea. Rice was planted in 1,006,210 chungbo of paddy-fields as compared with the total projected planted area of 1,158,890. Delayed transplanting and insufficient rainfall thereafter make it impossible to expect a bumper rice crop this year. The State Council has approved a plan to cope with the effects of drought. The Ministry of Agriculture and Forestry, in pursuance of the plan, has earmarked 340 million won to subsidize the cultivation of alternate and supplementary crops.

Purchase of summer grains made unexpectedly good progress. By the beginning of August, 363,490 suk, or 50% of the projected amount, had been purchased, and it is believed certain that the goal will be reached. Incentive goods, 1,120,000 yards of cotton cloth have been allocated and are being distributed directly on the spot. Favourable prices offered farmers account for the smooth progress of the program. The successful purchasing on a free market basis will affect the future food policy to a considerable degree.

### SERICULTURE

With a fund of 1,080 million won guaranteed by the government and abundant incentive, goods allocated, 586,392 kwan of spring cocoon had been collected as of July 31, exceeding the original goal of 584,600. This was the most successful cocoon collection since the liberation. In 1946, the collection reached 401,003 kwan while the collection last year aggregated 414,413.

### FISHERY

The temperature in the coastal waters was two to three degrees lower than normal one and fishing operations in the coastal waters were curtailed during July. The catch of a few popular kinds of fish was extremely poor. As the water temperature becomes normal, fishing conditions are expected to improve. Especially, sprat fishing in the Bay of Chinhae is still highly promising.

Canned goods are expected to play an important part in Korea's export trade. Production of canned goods, however, now is facing the serious difficulty of procuring cans. At present there are 27 canned goods factories in South Korea, but there is only one can-manufacturing factory throughout the country; it is located at Pusan and belongs to the Oriental Can Manufacturing Company. ECA supplies in the past have included cans, but in addition to such temporary supplies, a long-range plan to manufacture cans should be established. Despite these handicaps, production of canned goods increased in June, helping meet increased demands at home and abroad. The production goal for this year was set at 30,000 cases. During June, 3,689 cases were produced; production since April, this year, totaled 7,822 cases.

Up to now, there has been practically no ocean-going fishing operations from Korea and it has been hoped that the government will take positive measures to encourage such operations. The Ministry of Commerce and Industry has drafted a bill designed to encourage oceanic fishing operations and submitted it to the Office of Legislation. The bill provides for grant of subsidies to ocean-going fishermen and the builders of fishing boats as part of the government plan to develop oceanic fishing enterprises.

### INDUSTRY

Mr. Yun Bo Sun was appointed Minister of Commerce and Industry on June 6. On July 21, he announced his administrative program for commerce, foreign trade, mining, fishery, electric power and manufacturing industries. The gist of his industrial policy follows:

- (1) Detailed and accurate inquiries into the existing industrial conditions throughout the country.
- (2) Increased production of living necessities, including clothing.
- (3) Positive development of the metallic, mechanical, chemical and other basic industries and development of munitions industries.
- (4) Promotion of export of industrial goods.
- (5) Increased production in vested factories by setting production quotas and other measures.
- (6) Procurement of fund and raw materials.

Most of the subjects listed above are problems facing industry for some time and little tangible progress has been made in solving them. It is hoped that the new Minister of Commerce and Industry will bring about material improvements.

Following formulation of a commodity price adjustment plan, the Ministry of Commerce and Industry, at the request of the Ministry of Finance, has established an industrial finance program for 1949 which provides for a total industrial financing of 48,016,601,750 won, consisting of 15,665,333,750 won in an equipment fund and 32,351,268,000 won in a production fund. For the equipment fund, 8,930,918,350 won will be supplied by the government and 6,734,415,400 won by private investors.

The production fund will be raised by private investors. Added to this will be 3,237,000,000 won of the fishery development fund and 15,940,754,410 won of the mine development fund; the total mining, industrial and fishery development fund will reach 67,194,356,160 won. Treasury subsidies will total 19,963,845,950 won while private investments will amount to 47,213,050,210 won.

Average power production in the first half of 1949 has been 59,354 KW in January, 66,444 KW in February, 78,278 KW in March, 81,763 KW in April, 79,138 KW in May and 75,967 KW in June. April was the peak, after which production was on the down grade. Production in June included 22,152 KW of hydro-electric and 53,815 KW of coal-generated power. Normally, in South Korea, power production decreases in winter as the hydro generation drops due to scarcity of water, but it takes a turn for the better in



summer as the reservoirs refill. This year, however, the dry weather continued to prevail through half the summer and power production continued low as the hydro plants were unable to assume their usual share of the power supply burden.

In view of the urgent necessity for securing motive power, government authorities are planning to increase power-generating facilities. As the first step in this direction, a diesel oil power plant has been completed at Mokpo. The government also plans to complete power-generating facilities on the Sumjin River; the basic construction work on the river dam was started in August, last year and was completed at the end of July, this year. The main construction work on the dam will begin in August and is expected to be completed in two years.

#### MINING

The Ministry of Commerce and Industry has changed the system of conserving vested mines to that of commission mining. In view of the fact that illegal mining and gold smuggling are still rampant and hamper government collection of gold and prospective development of gold mining, the Minister of Commerce and Industry and the Home Minister circularized details of the gold mining control program among provincial governors.

The government is planning to establish the Taehan Coal Corporation, which will undertake unified production and trade in coal by absorbing vested mines and various sales companies. On July 22, a joint conference of the Ministries of Commerce and Industry, Finance and Planning was held and discussed matters relating to the financing, organization and management of the projected company. A preparatory committee composed of the officials of the Ministries concerned has been appointed to map details of the plan.

Coal production from six major mines (excepting Yongwol Mine) from January to the end of June totaled 351,059 tons, including 37,940 tons in January, 43,571 tons in February, 55,863 tons in March, 73,869 tons in April, 65,888 tons in May and 73,928 tons in June. The output represents 71.3% of the originally projected production goal of 492,500 tons.

#### MARINE TRANSPORTATION

The lighthouse at Shochung Island, inoperative for some time, began to flash again on June 10. A new lighthouse, erected at the breakwater of Taepo Harbour, was lighted on June 15.

The fishing-boat m.v. Washington, which was gifted to Korea by U.S. through ECA, is under repairs at Seattle. Four American engineers and four Korean crewmen are to sail the ship from Seattle to Korea. This is the first tangible result of the ECA fishery rehabilitation program in Korea. The s.s. Ryechun, sunk off the east coast on June 15 while carrying 1,800 tons of

coal from Mukho to Pusan, has been successfully salvaged by the Marine Bureau.

As part of the materials earmarked for import under the Korean-Japanese trade agreement, 86,000 tons of railway sleepers were shipped to Pusan early in July. The s.s. Hwangkum arrived at Pusan on July 27 with 650 stowaways and 150 repatriates aboard. Foreign supplies shipped to Korea in the seven months since the Office of Supply was opened (up to the end of June, this year) amounted to 1,488,000 tons, or an average monthly shipment of 213,000 tons. Out of 1,360,000 tons of shipments (excluding oil) about 1,304,000 tons, or 96%, have been transhipped and the remaining 56,000 tons are being stored in transit warehouses at Pusan and Inchon. As of July 19, another 148,000 tons of supplies are expected to be shipped. The number of ships and the cargoes follow:

Item	Number of ships	Cargo tonnage
Salt .....	5	44,700
Ammonium sulphate .....	15	76,105
Raw cotton .....	1	2,344
Timber .....	1	2,178
Copper, iron .....	1	200
Ammonium phosphate .....	2	4,915
Superphosphate ...	2	14,000
Trucks and parts ...	1	—
Miscellaneous goods	3	3,268
Petroleum .....	1	—

New shipping charges, applied to Japan-Korea trade effective May 24, met with public criticism as being too high. The authorities concerned are understood to be reconsidering the new regulations and it is expected that the Korean-Japanese shipping charges will be revised downward shortly.

General MacArthur, on July 2, directed the Japanese government to organize a fishing observation fleet to prevent Japanese fishing-boats from violating fishery limits in the waters surrounding Japan.

#### BANKING

As of June 30, 1949, deposit balances in various banks aggregated 43.9 billion won, an increase of 4 billion won over balances in the previous month. Loans stood at 35.9 billion won increasing by 3 billion won over the previous month's. These figures would indicate a saving of about 1 billion won. In reality, however, the increase in the deposits mainly is traceable to the transfer of Treasury money to ordinary banks. Loan balances increased mainly because seasonal demands for cash were met.

The average note issue in June increased to 39.5 billion won as compared with 38.2 billion won in the previous month. The average monthly hoarding of bank notes in the city amounted to 1.3 billion won. This was partially responsible for the rapid rise in commodity prices in June. Since the middle of June, large amounts of bank notes continued to be circulated, mainly to meet government deficit spending, and at the end of the month the increase in the note issue was 2.3 billion won more than at the end of the previous month.

#### COMMODITY PRICES

In June, the government suspended the issue of import licenses on the ground that imports of newprint, raw rubber, caustic soda and cotton yarn had exceeded their quotas. On June 13, Presidential Decree No. 132 establishing foreign exchange regulations was issued; on the following day, Finance Ministry Notice No. 2 announced the official exchange rate to be won 450 to one U. S. Dollar and the "Market" exchange rate to be won 900 to one U. S. Dollar. On June 9, a Finance Ministry Notice announced revised interest rates on loan and deposits. On July 21, the prices of imported fertilizers also were greatly increased. On July 23, the selling prices of grains were increased. Normally, July witnesses commodity prices at a low level. This year, however, due to the substantial increases in official commodity prices, wholesale prices rose 12.1% and retail prices rose 12.4%, respectively, as compared with those in the previous month. Fertilizers were 50% up, grains 17.8%, textile materials, 19.6%, fuel, 8.7%, building materials, 7.7% and sundry goods, 6.7%. Meat, eggs and fish were 1.0% down. Textiles for summer use rose but cotton textiles were 2.4% down. The retail prices of food were 19.1% up, those of clothings 3.4% more and fuel prices rose 1.6%. Sundry goods remained stable.